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ABSTRACT

This curriculum guide on Consumer Education, designed for high school seniors, was developed to help students become aware of and knowledgeable about their role as consumers in today's society. The following key concepts for study are emphasized: general principles of consumer purchasing; consumer credit; general principles of fraud, quackery, deception and contracts; consumer laws and services; and consumer rights and responsibilities. Each unit outline provides objectives, suggested content, procedures, and activities. The kit contains leaflets, pamphlets, and newsletters published by various agencies to aid the teacher in developing the units. Bibliographies following each unit describe available multimedia materials, and a list of general consumer education bibliographies available for purchase is included. (SHM)

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# TEACHER'S KIT

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EVALUATION SHEETS

The Honorable John A. Burns  
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# TEACHER'S GUIDE

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# TEACHER'S GUIDE

## mini-course on

# CONSUMER EDUCATION



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# TEACHER'S GUIDE mini-course on **CONSUMER EDUCATION**

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for the  
OFFICE OF INSTRUCTIONAL SERVICES/Social Studies  
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## FOREWORD

Consumer Education is a mini-course designed for all seniors in high school. It was developed on the premise that as graduating seniors go out into the larger community as wage earners or continue their education at other institutions of learning, they need to be aware of their role as adult consumers in the community's and nation's economy. They should build on their knowledge and background on how to set priorities, how to budget, and how to manage their money wisely. They should also build on their understanding of buying motivations, sales promotional devices, sound principles of consumer purchasing, credit charges, true annual interest, fraud, quackery, deception, contracts, consumer laws, and consumer services, all of which can affect them personally.

The goal of this course is to help students become aware of and knowledgeable about their role as consumers in today's society. It is hoped that they will be wise consumers armed with critical thinking and healthy skepticism.

A consumer education curriculum guide, teacher's kit, and four in-service ETV programs have been prepared to assist teachers and students in this learning adventure.

The curriculum should be viewed flexibly in terms of how it is presented. Each of the five units in this course has lessons which may vary in length depending on the extent to which they are developed. Some learning activities might involve multiple resources and extend over several days. Teachers and students might also wish to pursue other activities which they see as relevant and interesting.

The in-service ETV series which accompanies this course will present an overview of the curriculum as well as give numerous suggestions and aids to teachers to enable them to teach the course in the most meaningful way possible to their students.

## INTRODUCTION

As a way of orienting ourselves to the need for consumer education and its place in the education of the students in our schools, we might reflect on the comments and directions that emanate from national leaders in the field.

### THE RESPONSIBLE CONSUMER

(Sidney Margolius)

This has been called "the age of the consumer." Never before have consumer problems and needs received so much attention from community organizations, legislators, educators, and newspapers and other media.

Consumer organizations have grown in number, size, and influence. Government agencies are increasingly active in protecting consumers. High schools and colleges now offer more courses in consumer education. Congress and various state legislatures have enacted, or are considering, laws aimed at redressing a number of long-standing consumer grievances. Some of these new laws are aimed at preventing outright frauds. Others are intended to make it easier to compare values in an age of increasingly complex merchandise, and to avoid the traps of high-pressure advertising and selling.

This new awareness of your rights and needs as a consumer stems from the realizations that how you spend your money is quite as important as how you earn it. How you spend your money affects both your own welfare and that of society in general. Waste of family resources through lack of information or through deception means waste of national resources too.

PRESIDENT NIXON'S COMMITTEE ON CONSUMER INTERESTS  
(Virginia Knauer, Special Assistant to the President for Consumer Affairs)

"Consumer Education is an imperative need for every young person in America. With the technological changes, complexity of the marketplace, and the difficulties in evaluating and discriminating among the myriad of goods and services, it has become more important and obvious that our students need to become knowledgeable consumers.

"For our educational institutions to be totally responsive, they must teach students not only how to exist but how to live. Only through an effective educational process can young men and women hope to cope with a marketing world dominated by complex, sophisticated products. Only through an effective educational process can we arm our citizens with the knowledge necessary to combat those who would cheat and mislead.

"Consumer education then, is an imperative need, but in too many areas that need is not being met.

"Today, we have thousands of courses on elementary algebra, but few effective courses on elementary shopping.

"We teach young men how to design or repair a car, but we don't teach courses in tactics of used car salesmen.

"We teach young women to be good secretaries, but they graduate without knowing the meaning of bait and switch.

"We urge young and old, rich and poor, black and white, to eat balanced meals and to operate on balanced budgets but our educational curriculum designed to reach those ends is too often unbalanced.

"And often we applaud material progress without recognizing at the same time that possessions, by themselves, cannot bring complete happiness.

"Our guidelines are aimed at alleviating these deficiencies.

"If we are able to inform students about relevant quality and cost characteristics, if we are able to teach them about deceptive marketing tactics--then we will not only have a more responsive educational system but a more responsive marketing system as well."

## CONSUMER EDUCATION: AN IMPERATIVE NEED\*

Consumer Education is an imperative need for every young person in America. The National Association of Secondary School Principals recognized that fact a generation ago, and with every year that has passed, the need has become more pressing as well as more obvious.

Until a few decades ago, the basic requirement was what might be called "producer education." In those earlier times, a young man or woman had to learn to perform a thousand-and-one jobs in the home or on the farm; the central task was producing enough to satisfy basic needs.

Although the tradition lingers and still colors our thinking, a basic shift has taken place. For society as a whole, the production of goods and services in incredible volume is taken for granted, but the role of the individual as a consumer has grown extremely complex. As producer, the individual may have one money-earning job; as consumer, in essence he has many tasks. For example, he must choose among a myriad of goods and services, many of them difficult to evaluate in advance, and he must often cope with the intricacies of contractual obligations.

For this modern American consumer this is a time of great opportunity. Generally speaking, he is the richest in the world with a higher disposable income and a higher average yearly income than could possibly have been imagined even twenty-five years ago. Our free enterprise system has provided him with a greater choice in the marketplace than any other consumer, as evidenced by a walk through any supermarket. He can demand and get services that make life more convenient for him: self-service, credit cards, drive-in facilities, and one-stop shopping.

However, it is also a confusing time for the American consumer. He is often lost in the perplexities that have resulted from our progressive economy. Products are more complex and are frequently hard to evaluate or repair. It may be difficult for the consumer to obtain remedies or to resolve a problem which he feels is not justifiably of his own making.

In addition, our population is more mobile. Consumers have less opportunity to know the firm with whom they trade or may be miles away when a question or a problem arises.

\*Taken from Suggested Guidelines for Consumer Education, Grades K-12, President's Committee on Consumer Interests

The marketplace is more impersonal today; many consumers feel intimidated by modern marketplace operations. It is not always easy to determine who is responsible for a problem or to know where to go for help. Neither is it always easy to distinguish between honest and reputable practices in the marketplace and those that are unethical and fraudulent. Total consumer losses as a result of fraud and deception are estimated to be in the billions of dollars. For example, the Food and Drug Administration estimates conservatively that about \$1 billion is spent annually on worthless or extravagantly misrepresented quack devices, drugs, foods and cosmetics.

Several years ago, a survey by the Arthritis and Rheumatism Foundation disclosed that approximately \$300 million is spent annually on such worthless arthritis remedies as alfalfa tea, phony "radiation" treatments, and copper bracelets.

The Council of Better Business Bureaus states that in recent years its biggest single source of complaints involves magazine subscription sales. Fraudulent and deceptive practices in home repairs and improvements are a close second, with appliance repairs following next. Losses in these areas are estimated to be in the billions of dollars.

Estimates of consumer losses through frauds in the sale of new and used cars are less well documented, but it is apparent that they constitute a considerable expense to the public. Consumers also sustain sizable losses from fraudulent solicitations for charities, phony land promotions, home study rackets, and numerous other schemes. Not only are these practices costly in dollars and cents but they often affect the very lives and safety of the people defrauded.

It is, therefore, more important than ever that we train our young people to be knowledgeable consumers. Extensive efforts must be made to incorporate Consumer Education into each student's total school program so that he can function effectively as a consumer.

The purposes of consumer education are to help each student evolve his own value system, develop a sound decision-making procedure based upon his values, evaluate alternatives in the marketplace and get the best buys for his money, understand his rights and responsibilities as a consumer in our society, and fulfill his role in directing a free enterprise system.

Most educators, above all else, hope to help young people develop their own system of personal values so that they can benefit from the best our civilization can offer. To approach this goal in abstract generalities is to court defeat. To explore it, however, by way of the concrete and immediate matters which form the core of consumer experience is to make it come suddenly alive.



Consumer Education is an effective vehicle for moving easily from the immediate and the "practical" to more thoughtful considerations. Spending patterns are not merely representations of expenditures of dollars; they reflect the possible crystallization of aspirations and plans based upon one's personal value system. Why are those aspirations what they are? How will they be manifested in one's long and short term goals? What cultural and socio-economic factors influence one's value systems?

By looking hard at those everyday problems which concern them deeply, students can come to know themselves and their impulses. They can learn to value their emotions rather than to reject them. They can also learn to guard against their own irrational biases. Such probing is of tremendous assistance to young persons who need to understand and accept their own motivations and emotions.

The Consumer Education teacher can also provide the student with guidance and experience in developing the sound decision-making process which is necessary for intelligent purchasing. This process involves more than just finding the "best brand" of a product. The individual must decide whether he needs or wants that product in the first place, or how much of his resources it is worth. In essence, he should translate his values into dollars and cents decisions. Although this process is a difficult one, the student who develops competence in decision-making will possess a powerful tool for use throughout his life.

To equip the student to take his money into the marketplace and get the best value for it, we must educate him to be an alert and capable shopper whether it be for food, housing, or credit. A student needs to learn how to find and use reliable information, and needs to develop competence in resolving his problems in the marketplace.

Consumer Education can help a student become aware of his rights and responsibilities as a consumer so that he will be able to function effectively in our free enterprise system.

He needs to know his rights so that he can help insure that the free enterprise system serves him in accordance with those rights. He needs to know his responsibilities since consumers have a key role in directing the nation's economy.

To help every young person understand the economic system in which he functions, there is no better way than to take him directly into the marketplace which serves him. The whole process acquires meaning, for his personal interests are at stake. This is not to claim that the entire science of economics can be learned best through a consumer approach, but youngsters who would be repelled by purely scientific abstractions will respond eagerly to practical learning experiences.

Deciding upon the kind of economic life we want everyone to enjoy is a valid consumer concern, and one to which adolescents are particularly responsive. A simple study beginning with the purchasing of everyday commodities such as food or medicine can lead a group directly into a review of existing government services and the larger question of the role of government as well as the social responsibilities of business in our economic lives.

In summary, Consumer Education is vital for all young people because of the competence it can provide in dealing with our modern marketplace. But, all who are concerned with education will recognize that Consumer Education is inherently tied to developing a personal philosophy, finding satisfaction in daily living, and fulfilling a citizenship role in a free enterprise system.

AN OVERVIEW OF THE  
CONSUMER EDUCATION CURRICULUM

## AN OVERVIEW OF THE CONSUMER EDUCATION CURRICULUM

### Key Concepts and Generalizations

#### I. General Principles of Consumer Purchasing

- A. Fear, pride, ignorance, prestige, and need are some of the motivations which stimulate consumers to purchase.
- B. Identification and appraisal of sales promotional devices and the role of advertising lead to intelligent purchasing.
- C. Comparison shopping, unit pricing, label reading, and package weighing are effective techniques of consumer purchasing.
- D. Practical experience in the marketplace leads to better consumer purchasing.
- E. A financial plan is essential in the wise management of one's money. Such a plan is personal and individualistic because it accommodates all the goals and objectives that the consumer has set for himself.
- F. Budgeting enables the individual to examine his financial condition and determine the course of action and priorities that will achieve the greatest amount of satisfaction for him.

#### II. Consumer Credit

- A. Credit is a valuable tool in the hands of the consumer who is able to control it and use it properly.
- B. Credit employed wisely can benefit not only the individual consumer, but the producer and the entire economy as well.
- C. Credit used without great care and understanding of the credit charges, annual percentage rate, actual cash payment for the borrowing of future money for today's use, and one's real ability to pay can be the cause of much hardship and family discord.
- D. Credit does not increase your personal purchasing power, but really advances your time of consumption at a cost.
- E. There are many lending institutions and sources of funds to borrow money from. The consumer must analyze them to determine which one will suit his individual needs and cost him the least.

### III. General Principles of Fraud, Quackery, and Deception and Contracts

- A. Although the vast majority of salesmen and other business men are honest, there are unscrupulous people with deceptive appeals from which the consumer must protect himself.
- B. Because deception is not necessarily illegal or visible, consumers should take time to analyze all proposals, develop sales resistance, have a healthy skepticism, and seek advice and legal help if needed before a transaction is entered into.
- C. Contracts should be carefully read and rights and responsibilities understood before signing to prevent the contract from being the vehicle of fraud. The consumer should always have a copy of the contract with all blank spaces filled in.
- D. Oral contracts have the same legal binding power as written contracts. However, when there is a written contract covering the transaction, oral promises are not binding, and anything promised to the buyer should be written into the contract before the buyer signs.
- E. A contract may be entirely legal and still be discriminatory against the buyer.
- F. When a contract is presented to a buyer, it is an "offer". The buyer may wish to make a counter offer. In other words, additions, deletions, or changes may be made upon mutual agreement between the two parties involved, before the contract is signed.

### IV. Consumer Laws and Services

- A. There are many private and public organizations and agencies that protect and help the consumer through investigation, legal action, making of laws, and dissemination of information.
- B. Consumer laws are always changing and are not the same throughout the country.
- C. The consumer needs to know and invoke many of these laws in order for them to protect him.
- D. The consumer can have influence in the decision-making of government regarding consumer legislation.



V. Consumer Rights and Responsibilities

- A. The consumer has the right to make an intelligent choice among products and services, right to accurate information, right to safety, right to register a complaint, right to redress grievances, and right to fairness in the marketplace.
- B. The consumer has the responsibility to understand his role as a consumer in our society, to take an active part, to be informed, to make wise consumer decisions, to accept consequences of consumer decisions, to voice complaints and satisfactions, to participate in activities of voluntary consumer organizations, to be fair in the marketplace, and to behave as a good customer.

## GENERAL CONSUMER EDUCATION BIBILIOGRAPHY

It is recommended that the following selected bibliography be purchased by the schools for use of teachers and students:

- American Council On Consumer Interests. \$6 year membership entitles one to very informative and interesting publications. Consumer Education Forum, Newsletter, and Journal. Edward J. Metzen, Executive Secretary, 238 Stanley Hall, University of Missouri: Columbia, Columbia, Missouri, 65201.
- Consumer Education Bibliography. Comprehensive list of 2000 books, pamphlets and films available in the field of consumer education and interests. President's Committee on consumer interests, Yonkers Public Library. For sale by U.S. Gov't. Printing Office, Superintendent of Documents, Washington, D.C., 20402. 65¢. Highly recommended.
- Consumer Education for High Schools. Curriculum Bulletin 1968-69 Series. No. 16. Bureau of Curriculum Development, Board of Education, City of New York. Publication Sales Office, 110 Livingston St., Brooklyn, New York 11201. \$1.50 No. 00--900-40.
- Consumer Education in Lincoln High School. Consumer Education Commission, Lincoln High School, Yonkers, New York, 1965. Available from Consumers Union, 256 Washington Street, Mt. Vernon, New York, 12550. \$1.00.
- Consumer Education: Materials for an Elective Course, 1967. The University of the State of New York. The State Education Department Bureau of Secondary Curriculum Development, Albany, New York, 12224. 230 pp. \$1.00. Highly recommended. Covers major areas of consumer education, basic units, activities, concepts, sources of information, resources, and bibliography.
- The Consumer and His Dollars. David Schoenfeld and Andres A. Natella, 1970. Oceana Publications, 40 Cedar St., Dobbs Ferry, New York, 10522. 365 pp. \$6.00. High school and adult level. Covers role of consumer, government, advertising, budget, buying a car, how and when to borrow, taxes and investments, fraud, deception, and quackery. Highly recommended.

- Consumer Reports. \$8 year subscription to monthly magazines. Testing and rating of products. Consumers Union, 256 Washington Street., Mt. Vernon, New York, 12550.
- Family Financial Education for Adults. Lawrence Erickeson and Barbara Simi. Council for Family Financial Education, Twin Towers, Silver Spring, Maryland, 20910. \$4. 1969.
- Free and Inexpensive Material. "A highly selective bibliography for teaching consumer education and financial planning." Council for Family Financial Education, Twin Towers, Silver Spring, Maryland, 20910.
- Guidelines for Consumer Education. Office of Superintendent of Public Instruction, State of Illinois. Ray Page, Superintendent, 1968. 302 State Office Building, Springfield, Illinois, 62706.
- Suggested Guidelines for Consumer Education Grade K-12, November, 1970. President's Committee on Consumer Interests. For sale by US Gov't. Printing Office, Superintendent of Documents, Washington, D.C., 20402. 65¢. Covers the need, methods of implementation, instructional program, roles in consumer education, and instructional resources for consumer education.
- Teaching Consumer Education and Financial Planning, 1969. "A manual for school and classroom use." 170 pp., \$6. Education discount 20% 20 or more copies. Resource manual covers planning, buying, borrowing, protecting, investing, and sharing. Contains extensive suggestions for teaching techniques as role playing, visuals, student self evaluation, and discussions. Council for Family Financial Education, Twin Towers, Silver Spring, Maryland, 20910.
- Teaching Tools for Consumer Education Monthly Service. From Consumers Union/Consumer Reports, 256 Washington St., Mt. Vernon, New York, 10550.

## CONSUMER CLASSICS\*

American Chamber of Horrors: The Truth About Food and Drugs. Ruth de Forest Lamb, 1936. New York. Farrar-Rinehart. 418 p. \$2.50. Book, adult. Study of impure and adulterated foods, other below-standard goods, and the abuses and frauds perpetrated by the patent medicine manufacturers.

The Backward Art of Spending Money. Wesley Mitchell. 1937. New York. McGraw-Hill. 421 p. \$3.00. Book, adult. Essays and addresses on economics and social sciences written over a period of twenty years.

Consumer Cooperation in America: Democracy's Way Out. Bertram B. Fowler. 1936. New York. Vanguard Press. 305 p. \$2.00. Book, adult. Readable description of the background and operation of the movement with emphasis on the farmers' organizations.

Consumer Co-Operative Movement in Great Britain. Sidney and Beatrice Webb. 1930. 260 p. Book, adult.

The Consumer Interest: A Study in Consumer Economics. Persia Crawford Campbell. 1949. New York. Harper. 660 p. \$2.75. Book, adult. Discusses the effect of World Wars I and II and the Depression on the American standard of living with forcefulness, objectivity, and sound analysis.

The Consumer Movement: What It is and What It Means. Helen Laura Sorenson. 1941. New York. Harper. 245 p. \$2.50. Book, adult. Objective, comprehensive history of and guide to the consumer movement.

The Decline and Rise of the Consumer: A Philosophy of Consumer Cooperation. 2nd ed. Horace Meyer Kallen. 1946. New York. Packard & Co. (Now Farrar, Straus). 484 p. \$4.00. Book, adult. Complete description of cooperatives in the United States and abroad; social and economic history interpreted in terms of the consumer.

The Economic Effects of Advertising. Neil Hopper Borden. 1942. Richard D. Irwin, Inc., 1818 Ridge Rd., Homewood, Ill. 60430. 988 p. \$5.00. Book, adult. This book, published 25 years ago, remains the definitive study of advertising.

\*Consumer Education Bibliography, p. 1-4. Prepared for President's Committee on Consumer Interests, Washington, D. C., by the Yonkers Public Library. 1969.

Economics and Ethics: A Study in Social Values. John Atkinson Hobson. 1929. Boston. Heath. 489 p. \$4.00. Book, adult. An outstanding authority shows the relationship between crucial ethical concepts and economics.

Economics of the Household: Its Administration and Finance. Benjamin Richard Andrews. 1923. New York. Macmillan. 623 p. \$3.25. Book, adult. Comprehensive and scholarly college text presenting numerous surveys of living conditions with suggested budget adjustments.

The Education of the Consumer: A Study in Curriculum Material. Henry Harap. 1924. New York. Macmillan. 360 p. \$2.00. Book, adult. The specific aim of the title was to ascertain the objectives of education for American economic life with a special reference to the consumption of food, shelter, fuel and clothing. The consumption habits of the American people and an evaluation of the same in the light of reliable standards of living comprise the major scope of the book.

Guinea Pigs No More. Joseph Brown Mathews. 1936. New York. Covici, Friede (now Crown Pub.). 311 p. \$2.00. Book, adult. Presents 75 then current examples of ways in which the consumer was cheated by sellers, advertisers, and manufacturers of foods, drugs, and other articles.

The Jungle. Upton Beall Sinclair. (First published in 1906). 1966. New York. Heritage Press. 334 p. \$6.95. Book, adult. "...exposed not only the grossly unsanitary practices in the Chicago meat-packing industry, but also the sweatshop conditions in which its workers toiled. Arousing the public, the book led to the passage of the first Food and Drug Act."--NY Times obit. 11-26-68.

100,000,000 Guinea Pigs: Dangers in Every Day Foods, Drugs, and Cosmetics. Arthur Kallet and Frederick John Schlink. 1933. New York. Vanguard. 312 p. \$2.00. Book, adult. An indictment of the government administration of the Pure Food and Drugs Act.

Standards and Labels for Consumers' Goods. Jessie V. Coles. 1949. New York. Ronald Press. 556 p. \$5.00. Book, adult. Comprehensive text offering a blueprint for future action. Much useful information on government and private agencies in various fields of consumer goods.

Standardization of Consumers' Goods. Jessie V. Coles. 1932. Ronald Press. Book, adult.

A Theory of Consumption. Hazel Kyrek. 1923. Boston. Houghton Mifflin. \$2.50. Book, adult. First prize essay in the Hart, Schaffner & Marx competition. Lucid discussion of the theory of consumption.



The Theory of the Leisure Class. Thorstein Bunde Veblen. 1899.  
New York. Macmillan. (Modern Library, 1934, 404 p. \$2.45.) Book,  
adult. The classic of economic and social literature.

The Tragedy of Waste. Stuart Chase. 1925. New York. Macmillan.  
296 p. \$2.50. Book, adult. How determined scientific effort can prevent  
economic waste in American life.

Your Money's Worth: A Study in the Waste of the Consumer's Dollar.  
Stuart Chase and Frederick John Schlink. 1927. New York. Macmillan.  
285 p. \$2.00. Book, adult. Enlightening facts about many aspects of  
buying and selling and what may be done to protect the buyer.

## MULTI-MEDIA CONSUMER EDUCATION KITS

A Resource Kit for Teaching Consumer Education. Changing Times Educational Service, Suite G88 H. St., N. W., Washington, D. C. 20006. Five units covering earning, spending, borrowing, saving, and budgeting. 32 page teaching guide. Transparencies, games, role-play situations, posters, and other visuals. \$22.50.

Modern Consumer Education. Grolier Educational Corporation, 845 3rd Ave., New York, New York, 10022. 39 lessons, 27 programmed texts, 13 audio cassettes, 2 filmstrips, 180 student record books, answer key cards, wall chart, and instructor's manual. Six units covering Food, Clothing and Shelter; Cars, Furniture, and Appliances; Protecting Family Health and Security; You and the Law; Ways to Handle Money; and Ways to Shop. Also conducive to student self instruction and individual pace.

Smart Spending. Olcott Forward, Inc., 234 N. Central Avenue, Hartsdale, New York, 10530 with cooperation of Better Business Bureau of Metropolitan New York Recordings, filmstrips, documents, supplemental materials. 10 units: Introduction, Budgeting, Is There a Car in Your Future?, Fashion and Fibers, Buying Appliances, Advertising and Selling Practices, Grocery Shopping, Where to Live, The Intangibles: Services, Consumer Credit. \$65.00.

## SIMULATION GAME

Consumer. Western Publishing Co., Inc. #3250. Developed by Gerald Zaltman, Academic Games Association. 11-34 players. 1-1/2 - 2-1/2 hours. Available from Social Studies School Service, 10000 Culver Blvd., Culver City, Calif., 90230. \$30.00.

PRE   AND   POST   TEST

## PRE AND POST TEST

The first session should find out what the students want to know, need to know, don't know, and what their consumer problems are. To acquire this information, it is suggested that a pre-test be given to all students before beginning Unit I. The teacher may elect to give the tests for all five units together or to give the test for each unit before and after the respective unit. The post-tests should measure what the teacher has successfully taught and what knowledge the students have gained. The teacher may elect to use some, all, or none of the questions contained in the tests. The mini-course is flexible and what material is covered will depend on the individual teachers, students, and the time allowed for this course.

### UNIT ONE

1. An effective technique of consumer purchasing is (a) comparison shopping (b) unit pricing (c) both a & b (d) most advertised brands. \_\_\_\_\_
2. Consumers are motivated to purchase by (a) ignorance (b) fear (c) prestige (d) all of the above. \_\_\_\_\_
3. Advertising techniques appeal less frequently to (a) conformity (b) emotions and imagination (c) logical reasoning (d) non-conformity & uniqueness. \_\_\_\_\_
- \*4. Of the following examples, the best buy would be (a) five 17-oz. cans of corn @ \$1.00 (b) one dozen 16-oz. cans of corn at \$2.00 (c) one 16-oz. can of corn @ 16¢ (d) a case of twenty-four 16-oz. cans of corn at \$4.22. \_\_\_\_\_
- \*5. A good food buy is (a) apples in October (b) strawberries in January (c) eggs in December (d) watermelons in February. \_\_\_\_\_
- \*6. Which combination of considerations are probably the least valuable in purchasing a cloth winter coat (a) price and color (b) warmth and fit (c) warranty and guarantee (d) construction and fabric. \_\_\_\_\_
- \*7. Skim milk is 28¢ a quart. Dry skim milk is 79¢ for 1 lb., 9.6 oz. from which eight quarts of skim milk can be made by adding water. In buying dry milk the amount of money saved on each quart is approximately (a) 1.8¢ (b) 10¢ (c) 8¢ (d) 18¢. \_\_\_\_\_

- \*8. Medium-size eggs weigh 21 oz. a dozen while extra large eggs weigh 27 oz. If medium size eggs cost 53¢ a dozen, then extra large size eggs should cost approximately (a) 81¢ (b) 68¢ (c) 59¢ (d) 71¢. \_\_\_\_\_
- \*9. The money management problem of the consumer is the process of solving his (a) unlimited wants with his limited resources (b) his limited wants with his unlimited resources (c) his available resources with his recreational needs (d) a fixed asset liquidation for an unavoidable expense. \_\_\_\_\_
- \*10. Values and goals do not (a) differ for each individual and family (b) affect spending habits (c) influence every aspect of living (d) remain the same year after year. \_\_\_\_\_
- \*11. The best definition of consumer needs is the desire of goods and services that (a) a consumer wants (b) is demanded for one's level of living (c) is more than one's neighbors have (d) equal the living standard of the USA. \_\_\_\_\_
- \*12. The most workable budget is (a) a model budget obtained from a consumer education book (b) one based on the experience of a close friend (c) one developed by an economist for consumer use (d) one developed by an individual for his personal use. \_\_\_\_\_
- \*13. A budget will not (a) force you to look ahead (b) help you to live within your income (c) help you to make wise choices (d) increase your income. \_\_\_\_\_
- \*14. Impulse buying is (a) an excellent way to get the goods and services you want (b) consulting a consumer product rating magazine (c) quickly buying a good or service with little consideration to price and quality (d) shopping for a pre-determined market list of food. \_\_\_\_\_
15. Unit price is (a) price per package (b) price per box (c) price per unit of measurement (d) all of the above. \_\_\_\_\_

\*"Teaching Tools for Consumer Ed", Consumer Union/Consumer Reports, Vol. I, No. 9  
Consumer Education Achievement Test on Budgeting, Credit & Price Comparison by Gladys Bahr, DePaul University



## PRE AND POST TEST

### UNIT TWO

1. For what purpose is credit used? (a) to obtain goods (b) to obtain services (c) to obtain money (d) all of the above. \_\_\_\_\_
2. Which of the following is the undesirable source of credit/funds? (a) bank (b) credit union (c) merchants (d) loan sharks. \_\_\_\_\_
3. Which method of computing interest costs the least? (a) add-on (b) discount (c) simple (d) all are the same. \_\_\_\_\_
4. Credit can be dangerous if it is (a) overused (b) misunderstood (c) uses all extra money for payments (d) all of the above. \_\_\_\_\_
5. Which source of credit/funds cost the least? (a) bank (b) credit union (c) department store (d) finance company. \_\_\_\_\_
- \*6. The three C's of credit are (a) collateral, cash and character (b) character, capacity and creativity (c) capital, capacity and collateral (d) character, capacity and capital. \_\_\_\_\_
- \*7. When a man who has been careless in paying his bills moves to another state, he will find that (a) his bad credit reputation will follow him by means of a credit bureau (b) he must keep secret the names of his creditors in his former city (c) the ICC does not allow credit information to pass from one state to another (d) his former bank will advise all new creditors of his poor financial record. \_\_\_\_\_
- \*8. If your bank sends you an unsolicited credit card you should probably (a) use it at several stores when shopping (b) cut it up in small pieces (c) carry it in your billfold (d) use it when purchasing a household article on the installment plan. \_\_\_\_\_

\* "Teaching Tools for Consumer Ed", Consumers Union/Consumer Reports, Vol. I, No. 9  
Consumer Education Achievement Test on Budget, Credit and Price Comparison by Gladys Bahr, de Paul University

- \*9. Revolving credit plans charge a rate of interest on the unpaid balance. Generally the yearly rate is (a) 6% (b) 12% (c) 18% (d) 1 1/2 %. \_\_\_\_\_
- \*10. The lending agency most willing to assume risky loans is a (a) credit union (b) savings and loan association (c) consumer finance company (d) all-purpose bank. \_\_\_\_\_
- \*11. A member borrows \$300 from his credit union agreeing to repay it in six equal monthly payments plus interest at 1% a month on the unpaid balance. His total interest cost for the six months is (a) \$10.50 (b) \$18 (c) \$318 (d) \$105. \_\_\_\_\_
- \*12. If you borrow \$600 using the discount method at 7% annual rate, the proceeds would be (a) \$642 (b) \$558 (c) \$579 (d) \$595.80. \_\_\_\_\_
- \*13. A down payment on an installment purchase is the (a) amount of the unpaid balance (b) amount a customer pays for using credit (c) amount paid on the article at the time of the purchase (d) original cost of the article. \_\_\_\_\_
- \*14. A used car may be purchased for \$1,150 cash or on the installment plan by paying \$115 down and \$63. a month for 20 months. The amount of the installment price is (a) \$1,260 (b) \$1,375 (c) \$115 (d) \$1,150. \_\_\_\_\_
- \*15. A coat was purchased on the installment plan for \$5 down and \$10 a month for six months. The cash price was \$59. The dollar-cost of buying on the installment plan was (a) \$24. (b) \$6. (c) \$60. (d) \$65. \_\_\_\_\_

## PRE AND POST TEST

### UNIT THREE

1. The quoting of a very low price for a product with the intention of switching the consumer to a much higher priced article is (a) bait and switch (b) referral selling (c) bushing (d) chain referral. \_\_\_\_\_
2. A technique whereby a salesman offers to pay a person or reduce the price of a product for the name of each perspective buyer given to him is (a) bait and switch (b) bushing (c) chain referral (d) referral selling. \_\_\_\_\_
3. A quack is a person who (a) sells medicines, food, or false devices claiming that they promote health or cure diseases (b) uses all sorts of sales gimmicks (c) buys ducks from a cheap source and sells them at high prices and interest charges (d) none of the above. \_\_\_\_\_
4. Because deception is not necessarily illegal or visible, consumers should (a) take time to analyze all proposals (b) develop sales resistance (c) have healthy skepticism (d) all the above. \_\_\_\_\_
5. By knowing the most common types of frauds, quackeries, and deceptions that exist, it will enable an individual to (a) be a profitable salesman by utilizing these tricks (b) develop sales resistance, healthy skepticism, and critical thinking (c) take one's time to evaluate products (d) both b & c. \_\_\_\_\_
6. All of the following are typical sales pitches except (a) "special, discount price" (b) "you're the lucky winner" (c) "a wonderful mother like you owes it to your family" (d) "take your time to think rationally if you need this product and if your budget can afford it." \_\_\_\_\_
7. One should be suspicious of stores that (a) always offer closing out sales (b) always offer money-back guarantees (c) always have after Christmas and end of summer sales (d) never have sales. \_\_\_\_\_
8. Official inspectors (a) should be welcomed at once into the house (b) should be checked first to prevent imposter salesmen from entering the house (c) are always legitimate (d) all of the above. \_\_\_\_\_

9. The first line of defense against frauds, quackeries, and deceptions is manned by (a) government agencies (b) intelligent and responsible consumer (c) laws (d) private consumer agencies and organizations. \_\_\_\_\_
10. Before signing a contract one should always (a) read and understand it entirely (b) simply sign one's name on the right line (c) consult a lawyer (d) all of the above. \_\_\_\_\_
11. In a written contractual agreement one should (a) have a copy of the original contract (b) make sure all blank spaces are filled in (c) read before signing (d) all of the above. \_\_\_\_\_
12. In Hawaii a contract signed away from a place of business is unenforceable if (a) the buyer does not have a copy (b) it does not have a cancellation notice (c) the buyer cannot afford it (d) all of the above. \_\_\_\_\_
13. It is unlawful in Hawaii to sell by (a) free gift telephone (b) bait and switch (c) referral sales (d) all three. \_\_\_\_\_
14. The legal age of majority in Hawaii is (a) 16 years (b) 18 years (c) 20 years (d) 21 years. \_\_\_\_\_
15. If a person receives unsolicited merchandises in the mail (a) he should return it to the sender right away (b) he may keep the merchandise without obligation to the sender (c) the sender has the legal right to collect money from him (d) he is obligated to pay for the merchandise if not returned in 30 days. \_\_\_\_\_

## PRE AND POST TEST

### UNIT FOUR

1. Consumer protection laws are (a) the same throughout the country (b) are not the same in every state (c) are the same on federal and state level (d) are the same on state and county level. \_\_\_\_\_
2. Consumer protection laws (a) always protect the consumer without his knowledge (b) need to be known and invoked by the consumer in order for them to protect him (c) only apply to cases of frauds brought before the court (d) all of the above. \_\_\_\_\_
3. Sometimes a business firm will try to get you to buy something by telephoning your home and offering you a free gift if you come to their store. This sales techniques is (a) a fair and reputable way to do business (b) unlawful in Hawaii and should be reported to the Office of Consumer Protection (c) tricky, but legal (d) none of the above. \_\_\_\_\_
4. The state agency under the Governor's Office which protects consumers in Hawaii is (a) Better Business Bureau (b) Office of Consumer Protection (c) Legal Aid Society (d) Consumers Union. \_\_\_\_\_
5. The law pertaining to the following subject needs to be known and invoked within a certain time limit to protect the consumer (a) free gift telephone offer (b) cancellation clause (c) unsolicited goods (d) unfair or deceptive business practices. \_\_\_\_\_
6. The Office of Consumer Protection services are (a) free (b) charged according to ability to pay (c) charged according to income (d) b and c. \_\_\_\_\_
7. According to Hawaii law, when you sign a contract to buy something on the installment plan in your own home from a door to door salesman, you may (a) cancel the contract by phoning the company the next day (b) cancel the contract by sending a certified letter of cancellation to the company within 3 days (c) not cancel the contract once you have signed it (d) none of the above. \_\_\_\_\_



8. An organization set up by private businessmen to hear complaints and improve business practices is (a) Office of Consumer Protection (b) Consumers Union (c) Better Business Bureau (d) P<sup>U</sup>blic Affairs Committee. \_\_\_\_\_
9. The federal agency (s) that deal (s) with consumer protection is (are) (a) Federal Trade Commission (b) Office of Consumer Protection (c) President's Committee on Consumer Interests (d) both a and c. \_\_\_\_\_
10. The Federal Truth in Lending Act (a) sets the amount of interest which may be charged on credit sales (b) gives the borrower full discolsure so that he may shop for credit costs (c) a and b (d) none of the above. \_\_\_\_\_

## PRE AND POST TEST

### UNIT FIVE

1. The consumer has the right to (a) accurate information \_\_\_\_\_  
(b) fairness in the marketplace (c) make an intelligent choice  
among products and services (d) all of the above.
2. A good consumer behavior is (a) buying a sweater, wearing \_\_\_\_\_  
it for a day, and returning it for a refund the next day (b)  
buying a shirt on sale at a store and getting a full refund at  
another store that carries the same shirt (c) not abusing  
refund and exchange privileges (d) buying and overextending  
on credit.
3. The consumer's role in society (a) is limited by a laissez- \_\_\_\_\_  
faire business policy (b) has no effect upon businessmean  
(c) is limited to writing letters of complaints (d) can be very  
broad and effective.
4. If the consumer is allowed his rights to be fully informed, \_\_\_\_\_  
this will (a) defeat the free enterprise system (b) strengthen  
the free enterprise system (c) a and b (d) none of the above.
5. The consumer can inform himself by (a) reading consumer \_\_\_\_\_  
orientated magazines (b) reading and comparing newspaper  
ads (c) participating in consumer organizations (d) all of  
the above.
6. Consumers can help prevent fraud, quackery, and deception \_\_\_\_\_  
by (a) reporting fraudulent businessmen to the Office of  
Consumer Protection (b) buying from fly by night salesmen  
who offer special prices (c) buying from stores that continu-  
ously offer closing out fire sales (d) all of the above.
7. Consumers can contribute to a better free enterprise \_\_\_\_\_  
system by (a) abusing refund and exchange privileges  
(b) handling store products with care (c) overextending  
credit (d) not reporting fraudulent businessmen.
8. There is a need for consumer education because (a) there \_\_\_\_\_  
are a myriad of products and services available in the  
marketplace (b) there are many fraudulent businessmen  
(c) a and b (d) none of the above.

9. The consumer can protect his rights by (a) knowing what consumer protection laws exist and invoking them (b) not squealing on businessmen with poor business practices (c) a and b (d) none of the above. \_\_\_\_\_
10. The consumer should rely on the following to protect him in the marketplace (a) large business corporations (b) his own alertness and information (c) consumer protection laws (d) b and c. \_\_\_\_\_

ANSWER KEY

| <u>UNIT ONE</u> | <u>UNIT TWO</u> | <u>UNIT THREE</u> | <u>UNIT FOUR</u> | <u>UNIT FIVE</u> |
|-----------------|-----------------|-------------------|------------------|------------------|
| 1. C            | 1. D            | 1. A              | 1. B             | 1. D             |
| 2. D            | 2. D            | 2. D              | 2. B             | 2. C             |
| 3. C            | 3. C            | 3. A              | 3. B             | 3. D             |
| 4. C            | 4. D            | 4. D              | 4. B             | 4. B             |
| 5. A            | 5. B            | 5. D              | 5. B             | 5. D             |
| 6. C            | 6. D            | 6. D              | 6. A             | 6. A             |
| 7. D            | 7. A            | 7. A              | 7. B             | 7. B             |
| 8. B            | 8. B            | 8. B              | 8. C             | 8. C             |
| 9. A            | 9. C            | 9. B              | 9. D             | 9. A             |
| 10. D           | 10. C           | 10. A             | 10. B            | 10. D            |
| 11. B           | 11. A           | 11. D             |                  |                  |
| 12. D           | 12. B           | 12. B             |                  |                  |
| 13. D           | 13. C           | 13. D             |                  |                  |
| 14. C           | 14. B           | 14. C             |                  |                  |
| 15. C           | 15. B           | 15. B             |                  |                  |

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## UNIT ONE: GENERAL PRINCIPLES OF CONSUMER PURCHASING

### INTRODUCTION

Although there is no specific order or sequential development in this curriculum, it is suggested that the units be studied in the respective order presented. Unit One gives the general background for the other units. On the other hand, the teacher might find it more effective to begin with Unit Three: Fraud, Quackery, and Deception and Contracts, in order to gain the students' interests by hitting directly at the problems that consumers face and then explore the motivations which stimulate people to buy, the good shopping techniques with which the consumer can arm himself, the wise use of credit, laws and agencies which protect the consumer, and consumer rights and responsibilities. Thus this Guide would be used at the teacher's discretion.

Unit One covers the general principles of consumer purchasing. The underlying psychological and social motivations which push the consumer to buy are explored. Through the study of advertisements, the student can become aware of the role of advertising and the sales techniques used. With over 8000 items in the average supermarket and 1500 items introduced every year, the consumer should be armed with knowledge and shopping guidelines on how to best spend his money and pick the best product suitable to his needs. Basic to wise spending and consumption is a financial plan. Budgeting and money management are briefly touched upon. The pros and cons of financial planning versus crises buying are examined. The teacher should be cautioned against spending too much time on Lesson 3. The subject matter may be more thoroughly covered in another course. It is important that the student understand the need for and importance of a budget.

## UNIT ONE: LESSON 1: MOTIVATIONS OF CONSUMER PURCHASING

What motivates people to buy? Why do people want to keep up with the Jones? How do ads attract attention and stimulate people to buy? What or who influences people's purchasing decisions? Do people buy only what they need?

### GENERALIZATIONS:

1. Fear, Pride, Ignorance, Prestige, and Need are some of the psychological and social motivations which stimulate consumers to purchase.
2. Identification and appraisal of sales promotional devices and techniques lead to intelligent purchasing.
3. An understanding of the role of and make-up of advertising will result in logical and rational consumer behavior.

### CONCEPTS:

#### Motivations:

Pressures and desires which causes a person to act.

#### Sales Promotional Devices & Techniques:

Gimmicks and persuasions which hope to increase purchases of an item.

#### Advertising:

Action of calling something to the attention of the public, especially by paid announcements (Webster's 7th Collegiate Dictionary).

### OBJECTIVES:

1. The student will recognize and identify a range of motivations, needs, and buying considerations which face the consumer everyday of his life.
2. The student will understand what psychological and social pressures motivates him to buy and will thus be able to deal rationally with these pressures and emotions.
3. The student will learn not to believe everything he sees or hears advertised and will compare and check on the validity of such advertisements.

### SUGGESTED TEACHING STRATEGIES

1. Ask students what motivates them to buy. Is it of necessity? Is it a fad? Why did they buy it? Ask students what kinds of things they buy. How long do they last? How useful was the item?
2. Have students analyze purchasing motivations of people of different age groups. What motivates a teenager? What motivates a young adult? What motivates their parents to buy? What motivates their relatives and grandparents? What motivates people of different social standing? Of different ethnic groups. Examples of the different ethnic groups in Hawaii may be used as basis for analysis. Do the poorer people have more of a social pressure to buy things that are of conspicuous consumption?
3. Ask students to evaluate ads that they have cut out and put on display. What do the ads say? What kinds of sales promotional techniques are used? How do they attract attention? Do they motivate? In what way? Analyze radio and television ads that the students bring up in class discussion. A suggested homework assignment may be for students to find and cut out ads they find in magazines and newspapers or write down ads that they hear on the radio or see and hear on the TV. This activity can be followed by a written assignment or class discussion to analyze the ads.
4. Role Playing: Have students act out ads that they see and hear on TV. Have the class analyze the effectiveness of the ad. Who does the ad appeal to? What sort of person? How often do ads appear on TV? How long do they last? Is the timing and placement crucial?
5. Some questions to pursue: What will be the effect of the discontinuance of cigarette ads on TV? Why are TV studios and filmmakers worried? What effect does advertising have on the community and economy? How much is spent on advertising yearly?

## UNIT ONE: LESSON 2: PURCHASING TECHNIQUES

What should you consider before you buy anything? Will it satisfy your needs and meet your standards? What does a warranty and a guarantee mean? Is the giant or super-economy size a better buy? Does it pay to shop around? When is the appropriate time to buy an item?

### GENERALIZATIONS:

1. Comparison shopping, understanding of packaging, and unit pricing are effective techniques of consumer purchasing.
2. Practical experience in the market place leads to better consumer purchasing.
3. There are many publications available which help the consumer to evaluate the myriad of products in the marketplace.

### CONCEPTS:

#### Comparison Shopping:

Comparing price and quality of an item at more than one store or dealer.

#### Packaging:

Container in which a commodity is wrapped, the size of which does not need to conform to the weight or volume of contents.

#### Unit Price:

Price per unit of measurement, price per ounce, price per pound.

### OBJECTIVES:

1. When presented with a situation of purchasing food, clothing, or other commodities, the student will be able to apply sound principles of consumer purchasing.
2. The student will be able to see why he must develop some sales resistance, healthy skepticism, and critical thinking regarding product claims.
3. The student will be able to compute unit price and packaging and know their significance.
4. The student will be able to do effective comparison shop.

### SUGGESTED TEACHING STRATEGIES:

1. Have varying size boxes of products on display and have students figure out which size is the most economical to buy. This will depend on family size and need. Which size has the lowest unit price? Which size is most appealing? Students may be asked to bring in examples for this project.
2. Have different brands of the same product on display in the classroom. Have students vote on which one they would buy. Analyze the results. Which brand got the most votes? Which brand got the least votes? Why? What are the reasons students give for their choices? Did the design of the package appeal to them. Did advertisements they have read, heard, or seen have an effect on their choice? What importance did their mother or family choice have in their choice? This same project may be done with the variable of price added in. Do consumers always buy the cheapest weight brand? What other considerations play a role in their decision-making and what weight do they have? Students may be asked to bring in examples for this project.
3. Have students go to various stores and check on prices of certain items. The teams can come back to class and compare their findings. Do their findings correspond with the findings that the Lt. Governor's Office published on supermarket prices? Does it pay to drive a longer distance to the lower priced store than shop at the nearby neighborhood store?
4. Have students check on advertisements they see in newspapers or hear on the radio or TV. Check on those that look suspect: closing out sale, lost our lease, once in a lifetime chance, etc. Are fraudulent practices found?
5. Using the Comparison Shopper contained in the Teacher's Kit, have students figure out unit prices for various selected products. What significance does this type of activity have?
6. Have students discuss good purchasing techniques. They may want to act out poor and good shopping techniques.



### UNIT ONE: LESSON 3: FINANCIAL PLANNING AND SETTING OF PRIORITIES

How do I go about setting up a budget? Is it really necessary to have one? What are my priorities and goals in life? With old age, unemployment, disability, and health insurance, is it necessary to save for a rainy day? I can afford to buy things I want today, but what if I am disabled and can't get enough to satisfy my wants in the future?

#### GENERALIZATIONS:

1. A financial plan is essential in the wise management of one's money. Such a plan is personal and individualistic because it accommodates all the goals and objectives that the consumer has set for himself.
2. Budgeting enables the individual to examine his financial condition and determine the course of action and priorities that will achieve the greatest amount of satisfaction for him.
3. Financial planning eliminates expensive and unwise crises buying.

#### CONCEPTS:

##### Budget or Financial Plan:

A plan covering a definite timeperiod for the coordination of monetary income and expenses.

##### Setting Priorities:

Ranking one's choices in order of most desirable and necessary.

##### "What If":

A precautionary measuring of one's ability to pay in terms of alternatives and of possible future emergencies or unforeseen expenses.

##### Crises Buying:

Buying out of necessity, unexpectedly without former preparation, oftentimes being caught short of cash and having to pay high interest.



### OBJECTIVES:

1. The student will understand the need for and use of a budget and prepare one for his spendable income.
2. The student will evaluate his priorities and how he can go about achieving them.
3. The student will understand that savings will give him financial freedom to be free from fear of debt, to have cash to invest, and to be free to buy the things he wants.

### SUGGESTED TEACHING STRATEGIES:

1. Show 16 mm color movie entitled "Consumer Education-Budgeting", 4944, J-H A, 12 minutes, available from DOE, Audio-Visual Center. This movie shows two sisters setting up their own apartment, going on spending sprees, and over extending their credit, the movie points out the importance of individual budgets and sound budget planning. Even though one can make a purchase, it does not mean that one can afford it. Class discussion following this movie can bring up many of the important points illustrated.
2. Assignment: Have students set up their own personal budget for a year. Have students keep a record of their actual spending for a period of time. Where does their money come from and how is it spent? In what areas are they spending the most money? What are their priorities? How much do they save? Refer to "How To Save Money" in Teaching Kit.
3. Assignment: Have students set up budgets for a teenager, young adult, a middle-aged person, and a senior citizen. What are the different considerations that must be taken into account in each case? What are the needs of each group?
4. Class Discussion: Is it necessary to have a budget? What good does it serve? How does it eliminate unwise crises buying? What is the "What if" concept?

Note: The teacher should be cautioned against spending too much time on this lesson which can be better covered in other courses. Assignments 2 & 3 are enrichment assignments which the teacher may wish to come back to after all the other units are covered.

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## UNIT TWO: CONSUMER CREDIT

### INTRODUCTION

This unit covers some basic and important concepts of consumer credit. The lessons are devoted to the development and understanding of concepts such as consumer credit, cost of credit, true annual interest, revolving credit, down payments, monthly payments, instaliments, and truth in lending. The "when" and "how" of using credit are presented. The distinctions between borrowing from various institutions are explored.

## UNIT TWO: LESSON 1: DEFINITION AND TYPES OF CREDIT

What is consumer credit? Do credit cards and revolving credit give one unlimited purchasing power? How important is a credit rating? Who checks up on one's credit? Are low down payments and low monthly payments the best way to purchase things? What are the pros and cons of using credit?

### GENERALIZATIONS:

1. Credit is a valuable tool in the hands of the consumer who is able to control it and use it properly.
2. Credit employed wisely can benefit not only the individual consumer, but the producer and the entire economy as well.
3. Credit used without great care and understanding of the credit charges, annual percentage rate, and actual cash payments for the borrowing of future money for today's use can be the cause of much hardship and family discord.
4. Credit does not increase your personal purchasing power, but really advances your time of consumption at a cost: it allows you to use the product before or while paying for it.

### CONCEPTS:

#### Cash Sales:

Obtaining goods or services with a cash payment.

#### Credit Sales:

Obtaining goods or services for immediate use with a promise to pay at a future date.

#### Consumer Credit:

Borrowing of future money for today's use or consumption; deferment of payment.

#### Cost of Credit:

The cost of borrowing money which includes interest charges, service charges, carrying charges, insurance charges, and investigation charges.



Interest:

The finance charge imposed by the creditor-seller on the borrower-buyer for the use of credit.

Methods of Computing Interest:

Add-on, discount, and simple interest.

Annual Percentage Rate:

The yearly interest expressed in percentage form.

Revolving Credit:

A method of credit financing whereby one is allowed to buy goods up to a certain amount of credit. As repayment is made, the difference between the maximum amount allowed and the amount owed is made available for additional credit.

Down Payment:

A portion of the total amount which must initially be paid in cash.

Installment Payments:

The contract should designate the number and amount of payments at regular intervals.

Truth in Lending Act:

The purpose is to assure that the consumer is given meaningful information regarding the cost of credit (dollar amount of finance charge, annual percentage rate) and other relevant credit information so that he can readily compare the various credit terms available from different sources and avoid the uninformed use of credit.

OBJECTIVES:

1. The student will understand what consumer credit is and know when and how to use it wisely.
2. The student will be aware of the problems that can arise from unwise use of credit, and thus learn to be cautious.
3. The student will understand cost of credit, credit charges, and the concept of annual percentage rate.
4. The student will be able to evaluate the use of credit in light of his financial situation and needs.



### SUGGESTED TEACHING STRATEGIES:

1. The DOE, Audio-Visual Center, has three excellent 16MM films on Consumer Education. It is highly recommended that the film entitled, "Consumer Education Retail Credit Buying" 4946, 11 minutes, J-H A, 1968, be shown to help in the teaching of this Lesson on the Definition and Types of Credit. It points out that a charge card can become a major spending hazard by showing two sisters who graduated from high school learn this the hard way. The film illustrates the right way to compute credit charges, the money paid in interest charges, and all the various facets of buying on credit. The film is a good teaching tool and is colorfully and attractively done to capture the interest of students. This would be a good introduction to teaching students how to compute interest charges. It also warns them of the dangers of the unwise use of credit. Mathematical problems in figuring out annual percentage rate and interest charges can follow. The class will want to discuss the many points brought across in the film. What does the film have to say about credit? What problems can the foolish use of credit lead to? How much does credit cost? Can one afford to use credit for everything?

2. Have students trace the historical development of the use of credit in the United States. Why was consumer credit an outcome of the post World War II period? How have people's attitude towards debt changed? How has the use of credit increased? What are the effects (good and bad) increased consumer credit on our society and economy? Is credit necessary? How has credit helped the U.S. to achieve one of the highest standards of living in the world.

3. Research: What laws have been made in response to the growth in the use of consumer credit? What basic and necessary information must be clearly written on the contract or credit terms regarding the rate of interest? Why is it necessary to know the annual percentage rate? How does the Federal government limit the rates of interest?

4. Ask students to find out what some of the most used credit cards are in Hawaii and nationally. How easy is it to obtain a credit card? What are the credit terms of each? What credit cards do students and their parents have? What kinds of goods and services do they use their cards for?

5. Ask students why is it important that they establish a good credit standing and how a young adult would go about doing so? What happens when you abuse your credit and receive a bad credit rating?

6. Give students mathematical problems in figuring out annual percentage rate and interest charges (dollar cost of credit).

**Exercise One: Federal Reserve System of Converting Charges to annual percentage rate.**

$$I = \frac{2MD}{P(N+1)}$$

**I** = Interest Rate  
**M** = Number of payments for one year  
**D** = Total Charges in Dollars, Finance Charges  
 (Total Payments X Monthly Payments \$) - (Total Credit Obligation)  
**P** = Total Credit Obligation  
**N** = Total Number of payments

**Exercise Two: Dollar Cost of Credit**

Multiply Monthly Payments times Number of monthly payments  
 - Subtract Amount Financed (Cash Price - Down Payment)  
Dollar Cost of Credit  
 + Add Cash Price  
Total Cost of Credit

**Example:** You are buying a stereo set for \$500. The dealer says he will give it to you on easy credit terms of \$50 down, two years to pay, and \$25 per month. What is your annual percentage rate? What is your dollar cost of credit?

$$I = \frac{2 \times 12 \times 150}{450(24+1)} \quad (D = (24 \times \$25) - (\$450) = \$150)$$

I = 32%

|                          |              |
|--------------------------|--------------|
| Dollar Cost of Credit    |              |
| 24x\$25                  | = \$600      |
| - (\$500 - \$50 = \$450) |              |
|                          | <u>\$150</u> |
|                          | + \$500      |
|                          | <u>\$650</u> |

**Example:** You shop around at another store and another dealer offers you the same stereo set for \$500, \$50 down, two years to pay, and \$20 per month. What is your annual percentage rate? What is your dollar cost of credit?

$$I = \frac{2 \times 12 \times 30}{450(24+1)} \quad D = (24 \times \$20) - (\$450) = \$30$$

I = 6.4%

|                          |              |
|--------------------------|--------------|
| Dollar Cost of Credit    |              |
| 24x\$20                  | = \$480      |
| - (\$500 - \$50 = \$450) |              |
|                          | <u>\$ 30</u> |
|                          | = \$500      |
|                          | <u>\$530</u> |

**Example:** Have students try out various combinations of down payments, length of loan, interest rate, monthly payments, number of monthly payments, financing from the department store, bank, finance company, credit union, etc.

7. Methods of computing interest: Cash financing:

Add-on: interest is added to the amount and payments, including interest, are made on the larger amount.

$$\begin{array}{r} \$100 \text{ loan} \\ \underline{x6\% \text{ interest}} \\ \$6 \text{ dollar finance charge} \end{array}$$
$$\begin{array}{r} \$100 \text{ receive } \$100 \\ \underline{+ \$6} \\ \$106 \text{ pay back } \$106 \end{array}$$

Discount: interest is subtracted from the loan first and you are charged the face amount of the loan.

$$\begin{array}{r} \$100 \text{ loan} \\ \underline{x6\% \text{ interest}} \\ \$6 \text{ dollar finance charge} \end{array}$$
$$\begin{array}{r} \$100 \\ \underline{- \$6} \text{ receive } \$94 \\ \$94 \text{ pay back } \$100 \end{array}$$

Simple interest: interest is charged on the unpaid balance of the loan.

$$\begin{array}{r} \$100 \text{ loan} \\ \underline{x6\% \text{ interest}} \\ \$6 \text{ dollar finance charge} \end{array}$$
$$\begin{array}{r} \$100 \text{ receive } \$100 \\ \underline{+ \$6} \text{ pay back } \$106 \\ \$106 \end{array}$$
$$\begin{array}{r} \$94 \text{ loan} \\ \underline{x6\% \text{ interest}} \\ \$5.64 \text{ dollar finance charge} \end{array}$$
$$\begin{array}{r} \$94 \text{ receive } \$94 \\ \underline{5.64} \text{ pay back } \$99.64 \\ \$99.64 \end{array}$$

## UNIT TWO: LESSON 2: WHERE AND WHEN TO BORROW MONEY

When should one borrow money? Why should one borrow money? Whom should one borrow money from? Why is it necessary to establish goodwill and reputation before borrowing? Should one take the time and trouble to investigate sources of funds available? How much does it cost to borrow money?

### GENERALIZATIONS:

1. Where and when to borrow money is dependent on the individual's needs and financial situation.
2. Careful investigation of lending institutions and sources is a basic necessity before borrowing money.
3. One should understand the terms of the borrowing, the annual interest rate, the cost of borrowing, payment times, principle, and down payment.

### CONCEPTS:

#### Credit Union:

A voluntary self-help association of people who lend money to fellow members, usually at very low interest rates of  $1/4$  to  $3/4$  of 1% per month.

#### Bank:

An establishment for the custody, loan, exchange, or issue of money for the extension of credit and for facilitating the transmission of funds (Webster's 7th Collegiate Dictionary). Three types of banks are commercial, savings and savings and loan. Commercial banks are the largest single source of consumer loans.

#### Finance Company:

A financial institution which specializes in financial installment contracts arranged by auto and other dealers. (Public Affairs Pamphlet #348).

#### Small Loan Company:

A financial institution specializing in lending small amounts of money, usually charging high rates of interest because it assumes larger risks and lends small amounts of money.

### Department Store Credit:

Each store usually has their own forms of credit and credit cards, usually revolving credit. A usual charge of 1 1/2% per month (18% per year) is made on the outstanding balance.

### Life Insurance Companies:

Some companies allow policyholders to borrow cash on the loan value of their policies. A special feature is that the loan need not be repaid as long as the policy is in force, only the interest needs to be paid. The policy is reduced by the amount of the loan.

### Loan Shark:

A person who charges a very high, illegal rate of interest.

### OBJECTIVES:

1. The student will be able to evaluate the use of borrowing in light of the financial situation and needs.
2. The student will be able to differentiate between borrowing from various lending institutions: credit union, bank, finance company, small loan company, department store, and mail order house.
3. The student will learn to be cautious of, avoid, and report loan sharks.
4. The student will learn to deal with reputable business and businessmen.

### SUGGESTED TEACHING STRATEGIES:

1. It is highly recommended that the DOE, Audio-Visual Center, film on 'Consumer Education-Installment Buying', 4945, 13 minutes, J-H A, 1968, be used as a teaching tool for this lesson on Where and When to Borrow. This film dramatizes the benefits and dangers of purchasing commodities on an installment plan. The film depicts two high school graduates (sisters) involved in the purchase of a car. The film explores each facet of installment buying, including down payments, interest charges, maximum loan limits and other important factors. The two teenage girls are shown visiting various financial institutions discovering the advantages and disadvantages of borrowing from each institution. The film is stopped at this point and the students are asked what they would do. Which institution would they borrow from? After the class discussion, the film is resumed.

2. Assignment: Ask students to explore the possibilities for them to borrow money. What institutions and sources of funds are available for one to borrow money from? Ask them to find out the cost of borrowing from a bank, credit union, finance company, and department store. Give advantages of each. What qualifications must the borrower have for each?



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Consumer Education-Budgeting

4944 12 mins. JH A

Pictures two sisters setting up their own apartment, going on spending  
sprees and overextending their credit. Demonstrates the importance of  
individual budgets and a sound budget planning.

Consumer Education-Installment Buying.

4945 13 min. JH A

Dramatizes the benefits and dangers of purchasing commodities on an  
installment plan. Observes two sisters involved in the purchase of car.  
Explores each facet of installment buying, including down payments, interest  
charges, maximum loan limits and other important factors.

Consumer Education-Retail Credit Buying

4946 11 mins. JH A

Points out that a charge plate can become a major spending hazard  
by showing two sisters who learn this the hard way. Father shows them the  
right way to compute credit charges, the money paid in interest charges and  
all the various facets of buying on credit. 1968.

UNIT THREE: GENERAL PRINCIPLES OF FRAUD,  
QUACKERY, DECEPTION AND CONTRACTS

INTRODUCTION

This unit covers the common types of fraud, quackery, and deception that are prevalent in the marketplace today. It delves into the techniques that salesmen use to entice consumers into buying things they don't need or can't afford at high prices and high loan terms. Since the consumer is frequently exposed to or confronted by fraudulent businesses and businessmen, it is hoped that this unit will help to develop sales resistance, healthy skepticism, and critical thinking. This unit perhaps most vividly demonstrates the need for consumer education and protection.

### UNIT THREE: LESSON 1: MOST COMMON TYPES OF FRAUDS, QUACKERY, AND DECEPTION

Does the law protect consumers from dishonest practices? What's wrong with accepting free gifts? How are people frequently deceived? What kinds of problems can ensue from dealing with fraudulent businessmen? What are the common types of fraud, quackery, and deception that consumers must be aware of?

#### GENERALIZATIONS:

1. Although there will always be new approaches to fraud, some of the basic fraudulent approaches can be learned so that the buyer can spot these when they are used on him.
2. If the buyer recognizes that he was a victim of an illegal, fraudulent technique and reports it to the State Office of Consumer Protection, it may be determined that the contract is unenforceable and therefore is no longer binding upon the buyer.

#### CONCEPTS:

##### Quacks:

People who sell "medicines", food products, or false devices that promote health or purport to cure diseases.

##### Bait and Switch:

The quoting of a very low price for a product with the intention of switching the consumer to a much higher priced article.

##### Lo-balling:

A low priced "bait" offer, or estimate for repairs on cars, T. V. 's, appliances etc... where the price is "lo-balled" (raised) by excessive charges or unnecessary work done, or claimed to have been done. The price often goes up and up, according to what the repair shop feels the "traffic will bear".

##### Bushing:

Making a fictitious and insincere high offer to lure a prospective buyer into the showroom.

##### Referral Selling:

Technique whereby a salesman offers payment for each person who buys the product from a list that is furnished him by the original source person. The product is usually over-priced and is accompanied by a high interest installment contract.

### Free Gift Offers:

There are no such things. Gifts, prizes, stamps, premiums, etc. must be paid for; the customer pays.

### Chain Referral Letters:

Illegal under Postal Regulations, common cause of mail fraud.

### OBJECTIVES:

1. The student will be able to identify fraud, quackery, and deception in advertising claims and information on labels.
2. The student will see why he must develop some sales resistance, healthy skepticism, and critical thinking regarding product claims and salesmen.
3. The student will learn to take his time, evaluate the product, and compare prices and quality before buying.
4. The student will learn to deal with reputable businessmen and firms who do not resort to fraudulent tactics.

### SUGGESTED TEACHING STRATEGIES:

1. Show movie, "Owl", an animated cartoon of poor income families who are the victims of fraud, quackery and deception due to their living conditions and ignorance of wise consumer practices and how they are helped to solve their problems. This movie illustrates the most common types of fraud and deception and why the poor pay more. This movie is available from the DOE Audio-Visual Center.
2. Have students investigate health, body, and beauty product claims and testimonials. Are they valid? Do they actually cure illnesses? Are they approved by the Food & Drug Administration and State and local health authorities? Who are the people that give these testimonials?
3. Have students make a collection of advertisements of products that are of questionable value. Have them check out those claims. Is the store really going out of business? Does the salesman try to bait and switch consumers? Is the discount or the "once in a life time" offer really what they claim to be?



4. Have students listen to and read ads on the radio, TV, magazines, and newspapers. How do they differ? What information about the product is given? How do they attract attention and stimulate people to buy? What sales techniques are used?

5. Have students investigate the cost of trading stamps. Do stores that give stamps have higher prices than those that don't? What kinds of products are offered for redemption? How many dollars worth of purchases and stamps must one have before obtaining a \$5.00 gift redemption? Who pays for the cost of trading stamps? Would consumers rather shop at stores that offer stamps?

6. Have students check out ads for correspondence schools. What is the cost of the course? Is the school accredited? What kinds of courses are offered? What is the quality of the courses? How long has the school been in existence? Who are the people in charge of the school?

7. Have students learn how to prepare a constructive complaint and document facts. Who do they go to to lodge their complaints and get advice?

8. Role Playing: Have students dramatize scenes involving door to door salesmen, free gift offers over the telephone, bait and switch in the store, referral selling, sales pitches, and motivational pressures that salesman use. Refer to materials in Teaching Kit.

9. Have students analyze what type of person is most likely to be the victim of fraud, quackery, and deception. What is his background, age, race, education, and living environment? What type of person in Hawaii would be an easy prey?

10. Hand out copies of the State of Hawaii Office of Consumer Protection "Comic Book". For an independent project, some artistic and imaginative students might like to make their own comic books illustrating some of the frauds, quackeries, and deceptions they have learned about. Some students might like to illustrate from a positive point of view and show what preventive measures can be taken.

11. An important teaching technique for this unit is the use of case studies which bring realism into the classroom. "Stop, look, and investigate" in the Teaching Kit contains many interesting and useful cases. Spender Syndrome, cases of 68 families may also be used. Have students share their experiences and those of friends who have been victims.



### UNIT THREE: LESSON 2: SALESMEN'S TECHNIQUES

What are the techniques that salesmen use to sell their products? How will an understanding of them help arm the consumer with skepticism and sales resistance? What appeals are made to the consumer's basic needs and motivations? Can the consumer think rationally?

#### GENERALIZATIONS:

1. Although the vast majority of salesmen and other businessmen are honest, there are unscrupulous people with deceptive appeals from which the consumer must protect himself.
2. Because deception is not necessarily illegal or visible, consumers should take time to analyze all proposals, develop sales resistance, have a healthy skepticism, and seek advice and legal help if needed, before a transaction is entered into.
3. Because it is impossible to control the sales pitches of door to door salesmen, the claims that many of them make are false and misleading. High pressure, even threats and scare tactics, are often used. Salesmen often will not identify themselves as salesmen until it is too late and they are already in the home.

#### CONCEPTS:

##### Flattery:

Appeal to a person's ego and self confidence.

##### No Obligation, Nothing to Buy:

Puts the consumer in an easy, receptive state of mind.

##### Lucky You!:

Appeals to one's conception of Lady Luck.

##### Last Chance:

Appeals to one's wishes to make use of the opportunity before it escapes and never can be had again.

##### Necessity, For the Good of Your Family:

Appeals to one's maternal and need instincts.

##### Special, Discount, Wholesale, Factory Price, Free Gift:

Appeals to one's desire to get something for less or nothing.

### Salesmen Posing as Official Inspectors:

There are salesmen who pose as official inspectors under false identification and badges. If unsure, telephone the proper authority and inquire before letting them enter.

### Scare Techniques:

Threats of danger and harm to the family if the product is not bought.

### OBJECTIVES:

1. The student will learn why he must develop some sales resistance, healthy skepticism, and critical thinking regarding salesmen and their claims.
2. The student will have a better understanding of his weaknesses and needs that are usually touched upon by salesmen.

### SUGGESTED TEACHING STRATEGIES:

1. Role Playing: Have students dramatize and play the roles of a salesman and housewife. Dramatize techniques that salesmen might use. Show the different types of housewives and their reactions. What words do salesmen choose to use? How do they go about selling their products?
2. Show the movie, "Big Con," about a family who are victims of a dishonest door to door salesman. The family eventually loses its homes and belongings and is given another chance with the salesman. The movie is available from DOE Audio-Visual Center.
3. Have students write down "sales pitches" used by salesmen and make a display board.

### UNIT THREE: LESSON 3: CONTRACTS

Why must I read every sentence of the contract? Do I need to have a copy? Why is my signature so important? Should all blank spaces be filled in? Are oral contracts just as legally binding as written contracts?

#### GENERALIZATIONS:

1. Contracts should be carefully read and rights and responsibilities understood before signing.
2. Oral contracts have the same legal binding power as written contracts. However, when there is a written contract covering the transaction, oral promises are not binding, and anything promised to the buyer should be written into the contract before the buyer signs.
3. A contract may be entirely legal and still be discriminatory against the buyer.
4. When a contract is presented to a buyer, it is an "offer". The buyer may wish to make a counter offer. In other words, additions, deletions, or changes may be made upon mutual agreement between the two parties involved, before the contract is signed.

#### CONCEPTS:

##### Contract:

An agreement between two people.

##### Legal Capacity:

Individuals involved must be of legal age and of mental capacity.

##### Agreement:

What the parties agree to do.

##### Consideration:

Doing what each party promises to do.

##### Transfer:

Method of transferring object should be in the contract.

Form:

The law specifies in which form contracts are binding-oral or written.

Legal:

Contract must not be contrary to the law.

Breach of Contract:

Failure of a party of a contract to carry out his part of the agreement.

OBJECTIVES:

1. The student will know his rights and responsibilities under contracts.
2. The student will understand the difference between oral and written agreements.

SUGGESTED TEACHING STRATEGIES:

1. Class Discussion or Assignment: What is a contract? What are the essential features of a contract? Analyze copies of contracts to see if they pass the test. Are all contract enforceable? When should one seek the help of an attorney? What is a breach of contract? Have students make a list of everyday transactions and contracts and analyze.
2. Have students create a bulletin board display illustrating the essential elements of various contracts. Copies of contracts may be obtained and posted with the essential elements underlined.
3. Class Discussion or Assignment: What is minority? Can minors enter into legal contracts? What kinds of contracts can they enter into that are legally binding?
4. Class Discussion or Assignment: What is the difference between an oral and a written contract? Are both legally binding? When is it better to have a written contract?

5. Case Examples may be given to illustrate the various concepts involved in contracts. Refer to bibliography.

6. Class Discussion, Assignment, or Role Playing: What are the dangers and lawsuits that may occur from breach of contract and signing before one reads and understands the contract? Why should one be suspicious of salesmen who try to rush you into signing, who do not fill in all the blank spaces, and who do not give you a copy right then? Why should one refuse to deal with them? How are contracts a vehicle of fraud, quackery, and deception? Students may want to dramatize scenes between a salesman and customer in signing a contract. Depict the foolish and the wise consumer.

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Films Available From:

Office of Library Services-Department of Education, Audio-Visual Center.

Big Con. Illustrates door to door salesman techniques. 20 min.

The Owl Who Gave a Hoot. Color cartoon. Musical. 15 min. Illustrates the problems of low income families, especially as victims of fraudulent businessmen. Points out why the poor pay more.

## UNIT FOUR: CONSUMER LAWS AND SERVICES

### INTRODUCTION

Now that students are aware of the many kinds of frauds, quackeries, and deceptions and realize that they are possible victims of such acts, what can be done to remedy these situations? The previous units armed them with various shopping techniques and an attitude of critical thinking and skepticism. This unit explores what the government and private citizens have done and are doing to help provide a good consumer environment.

#### UNIT FOUR: LESSON 1: LAWS AND SERVICES WHICH PROTECT THE CONSUMER

What laws protect the consumer from shysters and phony salesmen? Why aren't these people stopped? Who can the public turn to for help? Do consumers have to pay for such services?

#### GENERALIZATIONS:

1. There are many public and private agencies that seek to help and protect the consumer through investigation, research, legal action, and dissemination of information.
2. Consumer laws are always changing and are not the same throughout the country.
3. The consumer needs to know and invoke many of these laws in order for them to protect him.
4. The consumer can have a hand in making consumer protection laws.

#### CONCEPTS:

##### Federal Agencies:

President's Committee on Consumer Interests, Consumer Advisory Council, Special Assistant on Consumer Affairs, Federal Trade Commission, Food & Drug Administration, Interstate Commerce Commission, US Agriculture Department, Chief Postal Inspector, Federal Power Commission, Federal Communications Commission, Department of Justice, Department of Interior, Federal Housing, Regulatory Agencies, Weights and Measure, Department of Labor, Social Security Administration, Public Health Service, Securities and Administration, Public Health Service, Securities and Exchange Commission.

##### State Agencies:

Office of Consumer Protection which has the legal authority to handle cases themselves and refers consumers to the proper agency. State Ombudsman protects citizens against governmental abuses by state and county agencies.

### City and County Agencies:

City and County of Honolulu Information and Complaint Office is the referral and coordinating agency for consumers.

### Private Non-Profit Organizations:

Better Business Bureau, Consumers Union, American Council on Consumer Interests, Council for Family Financial Planning, Public Affairs Committee, Consumer Credit Counseling, National Consumers League, Consumers' Research, Inc., Council on Consumer Information, Cooperative League of USA, Legal Aid Societies.

### Professional Associations:

American Medical Association, American Dental Association, American Home Economics Association.

### OBJECTIVES:

1. The student will be aware of how federal, state, and private agencies seek to protect consumers.
2. The student will learn which agencies to turn to for help.
3. The student will learn when to seek the help of public and private agencies and an attorney.
4. The student will learn what laws protect him so that ignorance of the law is no excuse.
5. The student will learn which laws must be invoked by the consumer within a short time limit in order to protect him.
6. The student will realize that it may save him a substantial amount of money and difficulty if he seeks legal help of an attorney, legal aid or a consumer protection agency before a transaction.

### SUGGESTED TEACHING STRATEGIES:

1. Have students investigate and interview various public and private agencies and report on what types of services and help they render. Are any costs involved? Which ones are the most useful? How are they funded? What kinds of services may be received from each?

2. Have students research what laws protect the consumer. What laws do they already know about? Most laws protect the consumer without his knowledge; why must the consumer know about Consumer Protection Laws in order for them to protect him? State specific examples: 3 day cancellation clause, free gift offers, unsolicited gifts, unlawfulness of bit and switch, false and deceptive advertising, age of majority, etc.

3. Give examples and/or case studies and have the students discuss which agencies to go to for help and why.

4. Have students discuss how they, as consumers, can have influence in the decision making of government regarding consumer legislation. How can the consumer protection agencies act as spokesmen for the consumer before legislative bodies? In order for legislators to make consumer protection laws they must hear from the consumer about his problems, the frauds he has been victim of, his suggestions, etc.

5. Have a speaker or panel of speakers from various agencies and organizations come to talk to the class. They could talk on the types of services offered, the costs involved, their effectiveness, cases they have handled, suggestions for consumers, and the need for consumer protection.

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## UNIT FIVE: CONSUMER RIGHTS AND RESPONSIBILITIES

### INTRODUCTION

This last unit will attempt to summarize and tie together all that the student has been exposed to and has learned. Now that the student is aware of his needs and motivations, how can he rationally budget and spend his money? Now that he is aware of what credit is and the cost of credit, how can he use credit to best benefit him? Now that he is aware of the frauds, quackeries, and deceptions in the marketplace, how can he arm himself against them and help put a stop to them? What is his role as a consumer in society? What are his rights and responsibilities as a consumer?

## UNIT FIVE: LESSON 1: THE RIGHTS AND RESPONSIBILITIES OF THE CONSUMER

What is the role of the consumer in society? What are his rights as a consumer? What are his responsibilities as a consumer? Does he have a role in safeguarding the marketplace from fraudulent practices and businessmen? How strong a voice does he have?

### GENERALIZATIONS:

1. The consumer has the right to make an intelligent choice among products and services, the right to accurate information, safety, fairness in the marketplace, and the right to register a complaint and to redress grievances.
2. The consumer has the responsibility to understand his role as a consumer in our society, to take an active part, to be informed, to make wise consumer decisions, to accept consequences of consumer decisions, to voice complaints and satisfactions, to participate in activities of voluntary consumer organizations, to be fair in the marketplace, and to behave as a good customer.

### CONCEPTS:

#### Right:

Something to which one has a just claim; power or privilege to which one is justly entitled (Webster's 7th Collegiate Dictionary).

#### Responsibility:

The quality or state of being liable, accountable, answerable for, trustworthy (Webster's 7th Collegiate Dictionary).

### OBJECTIVES:

1. The student will learn what his rights are and how to protect them.
2. The student will learn what his responsibilities are and take an active part in carrying them out.
3. The student will understand his role as a consumer in society and his importance in the free enterprise system.

### SUGGESTED TEACHING STRATEGIES:

1. Post-Test may be given including some of the same elements of the Pre-Test. A discussion evaluating the course may follow. What has the student learned that he did not know at the beginning of the course? Did this course help him at all? What were its good and bad points? Is there a need for such a course? What did the students and teacher think of the course materials and curriculum guide? What other things would they have liked to see included. What could be deleted? What suggestions they have for curriculum materials, teaching strategies, topics, etc. ?

2. Class discussion: What the students feel are their rights and responsibilities as consumers. What role do they have as consumers? How can they help prevent fraud, quackery, and deception? How can good consumer practices contribute to a better free enterprise system?

3. Class discussion: What are good customer behaviors? How should one handle store products? How can abuse of credit and exchange and refund privileges result in higher costs to the consumer?

4. Class discussion: How does one go about lodging a complaint? How does one write the facts down? Who does one go to for help?

5. Class discussion: How does a good consumer inform himself? What information does he need to make wise decisions? What magazines and publications will help him?

6. Show movie, "The Owl Who Gave a Hoot". Have students identify fraudulent practices, needs and motivations, financial difficulties, etc. How can they improve the situation? What actions would they take? Who would they go to for help? This movie is available from DOE Audio-Visual Center.

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- . ETV Branch, Department of Education
- . Teacher Assist Center, Department of Education
- . Miss Roberta Ann Wong, Administrative Intern, Office of Instructional Services
- . Miss Elaine Taniguchi, Program Specialist, Social Studies



# UNIT ONE

D 070689

Re-Elect

80

**PATSY T. MINK**

U. S. House of Representatives

Democrat

## THE COMPARISON SHOPPER

HOW TO FIGURE COST PER OUNCE IN A PACKAGE

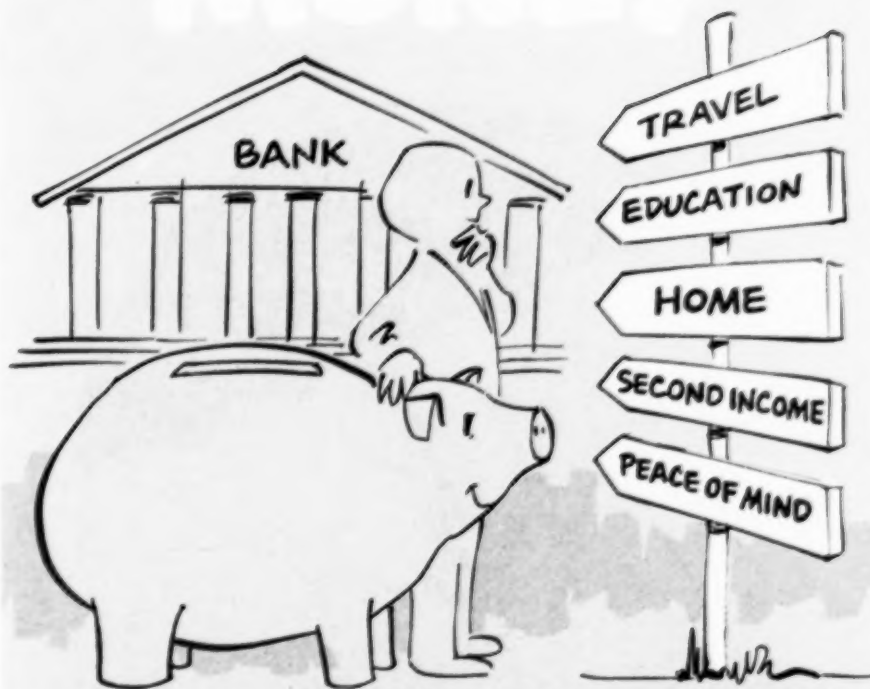


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ED 070688

# HOW TO SAVE MONEY



**EASY "SELF-TAXING" METHOD**

why bother  
to **SAVE**  
**TODAY**----

with all kinds of  
"RAINY DAY"  
INSURANCE?



**True**--the average family has more  
protection against financial disaster than  
ever before-- thanks to government, company  
and private insurance-- but....

# BUT--

to be really **FREE**--every  
family needs to build up some

**CAPITAL OF ITS OWN!**



**FINANCIAL FREEDOM MEANS--**

- free from fear of debt
- free cash to invest
- free to buy the things you want

SURE, I'D LIKE TO  
BE FINANCIALLY FREE--  
but **HOW?**



It's **EASY**--just develop a  
new HABIT--the habit of

**SAVING MONEY**--



how to acquire the saving habit--

## ① **START SMALL**



- small amounts
- at regular times
- that's how to train yourself.

## ② **BUILD UP YOUR SAVINGS**

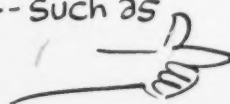


- add to your savings account each week--
- in person or by mail.

## ③ **SET SOME GOALS**



- what do you want **MOST**? There are lots of things worth saving for-- such as



## Saving for **YOUR OWN HOME**



There's no feeling like owning your own home. Whether you build or buy, your home is probably the **BIGGEST** investment you'll ever make...

### HOW TO SAVE FOR A HOME

#### 1<sup>st</sup> for the **DOWN PAYMENT**



When engaged or first married, put aside at least \$10 a week in a special "HOME" savings account until you have the DOWN PAYMENT ready.

#### 2<sup>nd</sup> for **MORTGAGE PAYMENTS**



After you own a home, budget mortgage principal payments as part of your home savings plan.

#### 3<sup>rd</sup> for **FURNISHINGS & IMPROVEMENT**



Make a list of home furnishings and improvements you want, get estimates of cost, and start a weekly savings program toward better living.

## Saving for **EDUCATION** and **SELF-ADVANCEMENT**



Knowledge is power --  
and fun -- and money! Schools,  
colleges, adult courses, concerts, lectures --  
education need never end for your family --  
if you make it an important financial goal.

### HOW TO SAVE FOR AN EDUCATION

#### 1st for **GOING TO COLLEGE**



A "College Savings Account" of \$5 or more a week through high school will, with available scholarship aid, insure a college education.

#### 2nd for sending **CHILDREN TO COLLEGE**



Start educational savings accounts of \$1 or more a week for each child at birth -- add to it Christmas and birthday cash gifts.

#### 3rd for continuing **YOUR OWN EDUCATION**



Choose an educational goal for yourself -- at any age -- and finance the tuition, travel and text books via "personal education fund" in your family budget.

## Saving for a "SECOND INCOME"



Saving is the first step toward building a "second income" from investments, such as common stocks or mutual funds to supplement your earnings and later your social security and pension income.

### HOW TO SAVE FOR A SECOND INCOME



Start a "Second Income Fund" by putting aside \$10 or more a week. When fund is built up, invest it in common stock of sound, large companies. This will give you an "ownership interest" in a business with a chance for capital gains.

## Saving for **TRAVEL** and **VACATIONS**



Travel is both recreational and educational. Many families get more fun out of their "Vacation Travel Savings Account" than any other. Let the "world be your oyster" and have fun planning and saving for long or short trips.

### **HOW TO SAVE FOR TRAVEL**



Plan your vacation schedule at least a year ahead -- arrange your itineraries and prepare a budget. Set up a weekly "Travel Savings Plan" based on your budget and the time before you start your trip.



## Saving for "PEACE OF MIND"

Money-in-the-bank can give you a real sense of security against emergencies and bad times, loss of job, or old age. As a supplement to your Social Security and life and health insurance program, set aside cash reserves in savings accounts.

### HOW TO SAVE FOR PEACE OF MIND



Make sure your life insurance and health insurance coverage is adequate for your needs, then decide on the amount you would like for a CASH FUND in the bank. Put aside savings in the account until you have reached goal.



and it's **EASY**  
**TO SAVE**



by this  
**SIMPLE**  
**SURE-FIRE**

**"SELF-TAXING"**  
**METHOD**



THE  
**"SELF-TAXING"**  
METHOD



--just tax yourself

**10%** (or any other % you want) of YOUR "TAKE-HOME" PAY

THIS IS A TAX for YOU--

guaranteeing yourself a "profit"  
on your earnings ---

**HOW MUCH?** That's up to YOU.

**SINGLE?** Often up to 50% "self-tax".

**MARRIED?** Sometimes up to 25% "self-tax".

**MINIMUM?** At least 10% "self-tax".

## HOW IT WORKS



you ↗

IF ANY  
LEFT OVER--  
ADD TO  
SAVINGS



TAKE-HOME PAY → \$ \_\_\_\_\_  
less "SELF-TAX"  
for SAVINGS \$ \_\_\_\_\_



BALANCE TO SPEND \$ \_\_\_\_\_  
for

RENT \_\_\_\_\_ \$ \_\_\_\_\_

FOOD \_\_\_\_\_

CLOTHING \_\_\_\_\_

HOUSE OPERATIONS \_\_\_\_\_

INSURANCE \_\_\_\_\_

HEALTH \_\_\_\_\_

TRANSPORTATION \_\_\_\_\_

CHURCH & CHARITY \_\_\_\_\_

RECREATION & MISC. \_\_\_\_\_

OTHER \_\_\_\_\_

TOTAL TO SPEND \$ \_\_\_\_\_

...then

deposit your  
"SELF-TAXES"  
each week  
in your

## SAVINGS ACCOUNT



where your money will be **SAFE**  
(insured by a U.S. government agency),  
**AVAILABLE** (if you want cash quickly),  
and -- YOU WILL BE **PAID** FOR  
THE USE OF YOUR MONEY!

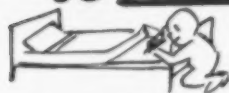
## PAID FOR IT ?

Yes -- here's how your money

# GROWS

(at average interest rates)

IF you save  
**\$40** a month



(at no interest)

for  
**40**  
years

YOU WILL  
HAVE  
**\$20,000**

## BUT

IF you save  
**\$40** a month  
in a **SAVINGS**  
**ACCOUNT**

for  
**40**  
years

YOU WILL  
HAVE ABOUT  
**\$60,000**

Put to work in a savings account --  
your savings **GROW** and help America  
to **GROW** as well !

FILMED FROM BEST AVAILABLE COPY

**LET US  
SHOW YOU  
THE WAY!**



**SAVING AT FIRST FEDERAL SAVINGS WILL HELP  
YOU TO REACH THESE GOALS . . . IMPROVING  
YOUR FINANCIAL FITNESS!**

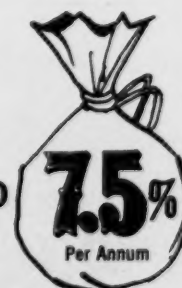
**FIRST FEDERAL OFFERS A FULL SPECTRUM OF  
SAVINGS PLANS WITH**

***Compounded  
Daily  
Interest!***

**FROM**



**TO**



**Depending on the size of the  
deposit and the length of time held.**

**Earn more now on your Insured Savings faster at the  
Highest Current Rates in the Nation . . .**

**"Put it Here!"**

**FIRST FEDERAL**  
**Savings and Loan Association of Hawaii**

**Main Office — 851 Fort St. Mall, Corner of Merchant — Ph. 533-3851  
(in the building with the blue tile)**

**Branch Offices: Makiki — Ph. 949-8777, Kalihi — Ph. 841-5330, Kaimuki  
Ph. 732-0122, Pearl City — Ph. 455-5555**



LITHO IN U.S.A.



ED 070688

Public Affairs Pamphlet No. 382 25c

**Buyer,  
be wary!**

By Sidney Margolius

## THE PUBLIC AFFAIRS COMMITTEE

This pamphlet is one of a series published by the Public Affairs Committee, a nonprofit educational organization founded in 1935 "to develop new techniques to educate the American public on vital economic and social problems and to issue concise and interesting pamphlets dealing with such problems."

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## BUYER, BE WARY!

BY SIDNEY MARGOLIUS

*One of the country's leading experts on consumer problems, Mr. Margolius writes a syndicated column which appears in 110 newspapers and is author of a best-selling book, Consumer's Guide to Better Buying. He is active in a number of consumer organizations, and lectures widely in his chosen field. . . . The pamphlet was illustrated by Robert Osborn.*

NORA DEAN is a young urban housewife. Like most women today, Nora does her food shopping in a large supermarket. Recently, when it took her only an hour to spend \$30 on groceries, she realized that in this one shopping trip she had spent all the money her husband earned in one day. And she was not at all sure that she had spent her money as wisely as possible. It troubled her because she felt that getting good value for every dollar and cent was the best way she could help her husband financially.

Her main problem was that she had no quick and dependable way of knowing what to select from the thousands of items on display at the store. Sometimes, Nora was forced to try out

many different brands to discover the least expensive that was satisfactory. But, while she shopped, she also had to keep an eye on her two small boys — so there was little time to search for the statement of net contents or check the ingredients of competing packages. She was discouraged, too, to find she frequently could not understand what the words meant when she did take time to read the small print.

Nora usually fell back on just picking a brand she had heard of before. She suspected that often she passed up lower priced items of acceptable quality in favor of higher priced versions of heavily advertised brands.

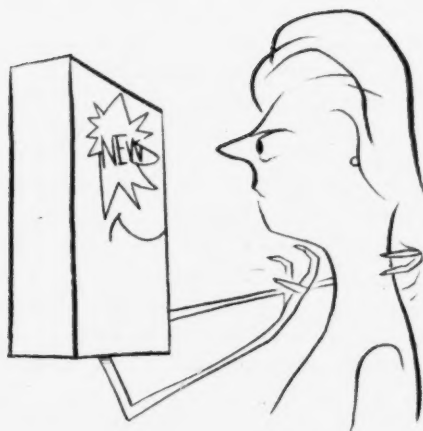
In fact, an inspection of Nora's shopping cart would have demonstrated she had cause for concern. Several of the canned foods she bought were available in other brands at noticeably lower prices. The "fillet steak" she selected was really chuck at a higher price. The high-priced headache remedy she chose could have been bought under its generic, or common, name at one-third the cost. The much advertised liquid detergent she bought appeared to be in the same size bottle as the other brands on the shelf but actually contained four ounces less.

#### **a common complaint**

The situation in which many shoppers find themselves today is similar to Nora's. Increasingly, shoppers are complaining to consumer organizations, government officials and agencies, Congressmen, and state legislators about the lack of reliable standards to use for selecting the most suitable item and for comparing values.

Shopping for a family's needs has become more difficult and complicated than ever before. New promotion techniques such as television advertisements and bonus trading stamps have been able to dominate family buying decisions.

Now, too, merchandise itself is much more complex. Soap powder is no longer just soap powder but comes in a variety



of forms with a variety of additives. Many foods now are semi-prepared, mixed with other ingredients, or ready to serve. Such once-simple items as cheese now often are "cheese foods" which may contain as little as 20 per cent real cheese. Bleach is no longer merely bleach, but is sold under brand names at inflated prices. In textiles, the familiar cotton, silk, wool, and rayon, with their properties and relative usefulness well known, have had to make way for many new fibers and blends of them, so that the consumer hardly knows today what quality of clothing or rugs he is buying, or when to believe such claims as "durable press," "wash and wear," "minimum care," or "stain-resistant."

Packaging practices also add to the confusion and irritation of shoppers. The size of packages may mislead buyers as to their contents. When the net weight is expressed with fractions of ounces and when net weights of similar competing products vary it is nearly impossible to compare the cost of one brand with another.

Consumers and government officials concerned with standards often have complained that the size and shape of packages suggest that they contain more than they actually do. They criticize, too, illustrations on packaged prepared foods that grossly idealize the product. For instance, a cherry pie bursting with cherries, or a chicken dish with big pieces of meat, is pictured when all too frequently the actual content is meager in comparison.

In general, the rapidly advancing technology of processed foods, new fabrics, miracle pharmaceuticals, and sophisticated household appliances has left consumers far behind in their ability to shop in a competent way. Even federal and state marketing officials often are unable to keep up with the rapid changes in products whose reliability and honest labeling they must supervise.

Beyond the daily doubts and irritations it causes, such shopping confusion puts obstacles in the way of family and national well-being. A family unable to make purchases knowledgeably suffers a constant and unnecessary drain of income away from such important family goals as education, health needs, improvement of living standards, and saving for retirement.

### **MAJOR SHOPPING DIFFICULTIES**

The major shopping difficulties of our times are comparatively easy to identify. It will take much greater effort on the part of consumers, government agencies, and manufacturers to eliminate them.

#### **the weights and measures deterioration**

Perhaps the problem shoppers complain about most is a breaking down of the familiar standards of weights and measures. A Portland, Oregon, labor editor went shopping for his wife one day and picked up what he assumed was a quart bottle of apple juice. When he got home he realized the bottle con-



tained 24 ounces, 8 less than he had thought. Many packaged foods and cleaning supplies have been subject to the same kind of size and weight variations.

You yourself have seen packages of cold cuts weighing such unusual amounts as  $3\frac{1}{2}$  ounces. Few groceries at all come in standard units any more, reports Betsy Wood, Home Economist of the Consumer Cooperative of Berkeley, California. About the only ones still generally sold in standard units are flour, sugar, ground coffee, tea, cheese foods, and dry beans. The one-pound quantity in which all frozen vegetables initially were sold gradually has been reduced to 14 ounces, 10 ounces, and now even 9 ounces — and the difference in the appearance of the package is practically imperceptible.

You also can no longer be sure the packages of other commonplace commodities like rice or macaroni contain a pound without looking at the statement of net contents. These products now often come in nonstandard weights, such as 14 ounces.

Another change you may or may not have noticed, is that the once-standard No. 2 can, containing about 20 ounces, has been largely replaced on store shelves by the 303 can, which usually contains 16 ounces. For some products, the No. 303 can is giving way to the 300 (15-ounce) can.

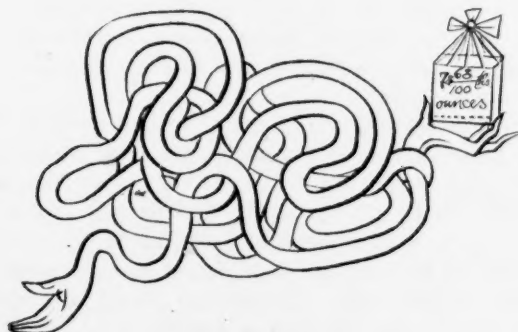
Even the ordinary loaf of bread nowadays requires a second look. Many are the so-called "balloon loaves" — really one pound but baked in a  $1\frac{1}{2}$ -pound-size pan so they contain more air and look much larger.

A new problem is the packaging of several types of food, in one unit without itemizing the weight and cost. Sometimes the weight of each is given, but the cost of each is not. For example, a supermarket chain will advertise a "combo sale" of boiled ham and swiss cheese, a half pound of each, for 99 cents — no mention is made of the cost per half pound of each item. So, although the "combo sale" is made to sound attractive, the consumer has no idea of what a bargain it is — or if it is a

bargain at all. The same is true when you pay 69 cents a pound or \$6.90 for a prestuffed turkey weighing a total of ten pounds and get actually only six pounds of turkey. James Farkas, Rockland County, New York, Sealer of Weights and Measures, points out that since a six-pound unstuffed turkey usually sells for \$3.50, you are paying \$3.40 for four pounds of stuffing, which in fact is 54 to 60 per cent water.

When buying a "TV dinner" consisting of, for example, beans and franks, you probably have no idea of how much meat you will actually get, since the weights of the franks, beans, etc., are not stated separately, and the illustration on the package itself may be misleading.

This is but a small sampling of the weights and measures problem of which you need to be aware today. It becomes even more complicated because the list of ingredients is frequently difficult to find on the label or to understand. Also weights of similar items often vary in ounces and even fractions of an ounce. For example, in buying a can of tuna fish, you may need to compare the cost per ounce among several brands, only to find that one contains 6 ounces; another  $6\frac{1}{2}$ ; a third, 7; and a fourth,  $7\frac{3}{4}$ .



### **processed food products**

The growing use of ready-prepared or "convenience" foods has created another pitfall for unwary shoppers.

Under federal and some state regulations, processed foods containing two or more ingredients either must meet an established "standard of identity" or list the ingredients in order of predominance on the wrapper.

Most of the federal standards of identity are established by the U.S. Food and Drug Administration after consultation with interested industry and private groups. For poultry and meat products, the standards of identity are set by the U.S. Department of Agriculture. A Food and Drug Administration standard of identity specifies ingredients permitted in many processed foods and the amounts of important ingredients. For example, the standard for mayonnaise requires that products bearing this name must be at least 65 per cent oil; "salad dressing" need contain only 30 per cent. Fruit "preserves" or "jellies" must be made with not less than 45 per cent fruit or fruit juice. Cheddar cheese must have not more than 39 per cent moisture, and the solid matter must contain at least 50 per cent milk fat.

For processed food products on which standards of identity have not been established, the ingredients must be named in the order of importance. For example, you may have noticed that unlike ordinary frozen spinach, which has only one ingredient, a package of frozen "creamed spinach" will list its ingredients somewhere on the wrapper. In the case of one widely sold brand, the list reads: "chopped spinach, reconstituted whole milk, vegetable shortening, wheat flour, heavy cream, rice flour," etc. Or, in the case of a well-known brand of frozen chow mein, the list of ingredients reads: "water, bean sprouts, celery, onions," and so on.

These requirements have some, if incomplete, usefulness to you. For example, among the popular frozen fish products, a new federal standard for frozen breaded shrimp now requires that

this product must provide at least 50 per cent shrimp. Before this standard was established, one survey found that some samples of frozen breaded shrimp contained only 30 per cent shrimp. Even now, a product for which there is no standard, such as frozen shrimp creole, typically has only 16 per cent shrimp, and frozen deviled crab has only 22 per cent crabmeat (compared to the usual home-prepared recipe that contains 52 per cent).

The required lists of ingredients have some practical use for shoppers who are aware of them and understand the terminology. For example, a wary shopper who seeks out the list of ingredients on one widely sold brand of frozen ready-to-serve macaroni and cheese, will read that the ingredients, in this order, are water, macaroni, and cheese. Knowing that they are set down in order of predominance, she can then make her own decision as to whether a product in which the leading ingredient is water is worth the price asked.

### **the inadequate labels**

But both the "standard of identity" and "list of ingredients" rules have been made obsolete to a large extent by the rapid development and widespread use of ready-prepared foods, and the difficulties of shopping in crowded supermarkets with their multitude of different brands, variations, and sizes.

A housewife obviously cannot be expected to memorize all the standards already in existence for corned beef hash, pork and beans, and many other foods, let alone the new ones being developed in the sometimes futile race of government agencies to keep up with new products.

Moreover, the standards often are set surprisingly low. A case in point is the U.S. Department of Agriculture's recently established standards for poultry products. Frozen foods labeled "chop suey with chicken" need have only 2 per cent deboned meat; those labeled "chicken chop suey" and "chicken chow

mein" must provide at least 4 per cent. It can be asserted by the government standards-makers that the latter represents an improvement over the previous situation in which these products contained only 3 per cent chicken. But 4 per cent is still a small fraction of the 30 per cent meat you might expect in such dishes, based on usual home recipes. Similarly, canned "chicken soup" meets the standard of identity if it has only 2 per cent chicken.



What is really needed is a requirement that labels give the actual amount of at least the main ingredients. How many consumers realize that a product called "chicken with noodles" has at least 15 per cent chicken, and one called "noodles with chicken" has 9 per cent chicken? If these amounts were clearly stated on the label, a shopper would have some factual information on which to decide whether the extra chicken is worth the extra price or to compare prices among different

brands as well as the different versions.

Some of the terminology used in lists of ingredients also may confuse shoppers, especially the word *moisture*. This is, of course, simply water.

Merely listing ingredients in order of importance falls short of today's informational needs. For example, many processed meats such as bologna and frankfurters list water as a second leading ingredient, but do not state how much. Thus the shopper can never know whether one brand has 10 per cent water, another 5 per cent, and so on.

Similarly, in the case of the popular new breakfast cereals with added ingredients, shoppers have no way of knowing how much freeze-dried sliced strawberries they get and how much ordinary cornflakes. When housewives pay 59 cents for an eight-ounce package of cornflakes with added ingredients (which comes to \$1.18 a pound, or the same price as steak), obviously they need more informative labeling to judge the value of the new products.

But all too few consumers understand the significance of even the present labels. Most shoppers seem unaware of the fact that the list of ingredients is arranged in order of predominance. The labels do not point this out.

Even cats get more facts than humans. Pet foods are required to show on their labels the exact amount of moisture (water) in the product.

While inadequate for today's needs, the federal labels have at least the virtue of countrywide uniformity. State regulation of food marketing and packaging can vary enormously. For example, the federal standard for hamburger shipped across state lines limits the fat content to 30 per cent, and some local marketing departments try to set similar limits. But in some areas, the fat in locally-processed hamburger has been found to run 40 to 50 per cent.

### **the magic of names**

A growing new problem, with only varying local or state regulation to control it, is the current trend of supermarkets to debone ordinary cuts of meat, trim them differently and give them more luxurious-sounding names — at a higher price than the parent cut. Nowadays, you can find packages of meat labeled "chicken steak," "butter steak," "end of steak," "French roast," "California roast," "breakfast steak," "cube steak," "London broil," "rib tips," "fillet steak," "Braciola," "Swiss steak," "chip steak," even "TV steak," and "his and hers."





Most often these are boned beef chuck, cut in different ways to make steaks of different shapes. The so-called "rib tips" are likely to be stew beef trimmed a little differently. The "French" and "California" roasts are usually cut from chuck. And make no mistake, a "fillet steak" is not filet mignon (a fillet of beef cut from the thick end of a beef tenderloin) — it is most often chuck or some other much less expensive cut.

Some state and local markets departments have moved to require that such exotically named cuts also be labeled with the

name of the original cut, since one store may prepare "Swiss steak" from top round, another from chuck. In one market, a "breakfast steak" may be sirloin; in another, our old friend chuck. Braciola may be from round or be chuck, depending on the store's practice.

### **the hasty shopper**

Another reason for many of today's shopping frustrations and excessive costs is the shopper himself. Not only do some shoppers neglect whatever information the labels do vouchsafe, such as ingredients and net weight, but they are not even certain of such basic facts as the number of fluid ounces in a quart or the number of pints in a quart. Some are not too sure there are 16 ounces in a pound.

A good number of today's consumers, especially the younger ones, do not invest the time for careful buying that the present

shopping situation requires. One of the largest baking corporations reports: "Families have less time for shopping... they want to complete their purchases as quickly as possible... Our bread customer spends just three seconds selecting her baked goods... Food buyers are strongly susceptible to impulse buying."

The average woman today spends money in a supermarket at the rate of \$19 an hour. A woman who lets her family's main resource — its income — dribble away through shopping habits that are manipulated on the one hand, and careless on the other, helps defeat her own aspirations for her family.

It is never enough merely to glance at the front of the package, and take for granted either the weight or the ingredients. For example, a Nassau County, New York, weights and measures official picked up what seemed to be a large package of a "com-



plete main dish" called Beef Stroganoff. Actually, the box contained one envelope with three ounces of dried noodles, another with dried meat and sauce mix, and a third, tiny envelope with a fraction of an ounce of bread-crumbs garnish.

After subtracting the value of the dried meat (which has a cooked weight of only three ounces) and other ingredients, the consumer really pays at the rate of about \$2.50 a pound for the dried noodles in this and similar products. Noodles ordinarily sell for 40 cents a pound.

The Consumer Cooperative of Berkeley, California, uses many store exhibits to goad people into reading the labels. Officials of the cooperative have found that when you ask people to guess which bottle contains more soda, and they guess wrong, they realize that labels are worth reading.

The famous brand of frozen creamed spinach mentioned before, advertises prominently on the face of its package, "choice spinach expertly blended with heavy cream, fresh farm butter and the perfect touch of seasoning." But on the side panel, the legally required list of ingredients shows there is really not as much heavy cream as plain milk or even flour, and not as much "farm fresh butter" as vegetable shortening.

One might also cite such examples as "pineapple-filled oatmeal cookies" without filling and without pineapple; "banana fingers and rolls" with no listing of bananas or banana puree in the printed ingredients; and "chocolate peppermint cookies" with the list of ingredients revealing artificial flavoring and no mention of peppermint.

Evan Wright, Kansas Food & Drug Division Director, reports he has found many cheese products sold under such names as "Chef's Delight" and "Dairy Spread," sometimes contain as little as 10 per cent cheese and as much as 65 per cent water, although they often are called "cheese" in store ads and displays.

There is evidence that shoppers are learning from their recent experiences with packages that have been reduced in content

while the price and even the appearance remains much the same, to scrutinize more closely the net weights, or the count (as in paper goods). One indication is that immediately after Mrs. Esther Peterson's appointment as Special Assistant to the President for Consumer Affairs, she received hundreds of letters complaining about such practices as "cents off" printed on the package, incompletely-filled packages, and weights given in fractions of pounds or quarts that make price comparisons difficult.

While a 1958 survey by the U.S. Agricultural Marketing Service found most shoppers didn't seem to know how many ounces cans or food packages held, and did not even look beyond the brand name in many cases, a 1963 National Family Opinion Survey found that 82 per cent of the shoppers surveyed said that they always or sometimes check weights against prices.



### **A GUIDE TO FACTS YOU NEED IN SHOPPING**

Some efforts are being made by both federal and state agencies to alleviate the consumer's shopping problems in an age of complicated goods and packaging. While the original "truth in packaging" bill was cut down by Congress so much that it became merely a "clear labeling law" when enacted in 1966, it does require at least some uniformity in "contents" labeling. Now you can find this information on about the lower third of the front panel (no more hunting all over), and in larger type. Moreover, contents must be stated both in total ounces and pounds. This can help you compare cost per ounce.

Of less certain usefulness is the requirement that packers who state the number of servings must also state the size of each. They are allowed to define a serving in ounces, *or* tablespoons, *or* cupfuls, which makes comparing one packer's version of a serving with another's very difficult.

There has been some progress in that part of the law encouraging manufacturers voluntarily to reduce the number of package sizes. Some have agreed to do so. For example, soluble-coffee packers have limited containers to even ounces from 2 to 16.

Until the problem of inadequate information is further reduced, you need to make full use of what help is provided. Some standards for food, clothing, and other goods which can help you compare values are discussed below.

#### **buying food by grade**

Buying by grade instead of by brand name is one of the most useful techniques at your command for keeping down family food bills. For example, take two brands of canned string beans in the same store: one costing 31 cents, the other 18 cents. The more expensive one has a better-known brand name, but if you look closely at the label, you will realize they are both of the



same Grade A quality. By buying the cheaper one, you are not sacrificing quality and are saving 13 cents on just one small item.

The U.S. grade marks on meat, poultry, eggs, cheese, canned goods and other foods assure you that you get specific, uniform quality no matter what the price or brand name or where you buy. Beef marked "U.S. Choice" has been graded by government experts and meets the standard for this quality irrespective of who sells it.

Many retailers require that wholesalers sell to them on the basis of Government grades to make sure that they – the retailers – get the quality they pay for. However, displaying the grade is voluntary, not mandatory. Thus, some of the same retailers do not show the official grade when they sell to the customer. Some use meaningless brand names or their own versions of grade designations on their meats and other foods.

If grading was required by law right down to the retail counter, your buying problems would be simplified. Some manufacturers and stores do state in their ads and on packages what the grade is. As for the others, you have every right – and it would help – to ask the meat department manager just what grade of meat he is selling, and to show you the U.S. grade mark.



Understanding what grades mean and what grades are available can be to your advantage.

1) First of all, the grade has nothing to do with food value. All grades, whether *Choice* or *Good* beef, *Grade A* or *Grade B* eggs, *Fancy* or *No. 1* apples, have the same food value. The higher grades merely have better appearance and more uniform size, and in the case of meat, may be juicier, more flavorful, and usually — not always — more tender.

2) Where grades are available, they help to pick the best value. For example, a supermarket in one area offers three different brands of frozen orange juice. One brand is two for 47 cents; the second, two for 49; the third, two for 53. It is simple to know which is the best buy because all three carry the official "U.S. Grade A" label of the Agriculture Department in a little shield printed right on the cans. That means all three brands meet the same official government standard of quality for frozen orange juice.

3) Not only do such grades help you select the best value, without depending on advertised names, but grades also help you choose the right quality for the intended use.

If, for example, you are buying canned plums for a molded plum ring, where the appearance of the fruit would be important, you might be willing to pay the extra price for Grade A. But for a plum pie, you would be as well off buying Grade B, and for a plum whip, it would be a waste to buy anything but Grade C. Usually the chief difference between Grade A and the lower grades is appearance. Grade A products are selected for uniform size, for color and tenderness.

Another example is canned tomatoes. The Grade A provides whole tomatoes of uniform shape free from defects and with red color. Grade B provides large pieces and even some whole tomatoes with defects removed. Grade C tomatoes are smaller pieces but perfectly satisfactory for stewing and other cooking and are sold at almost half the price of some Grade A brands.

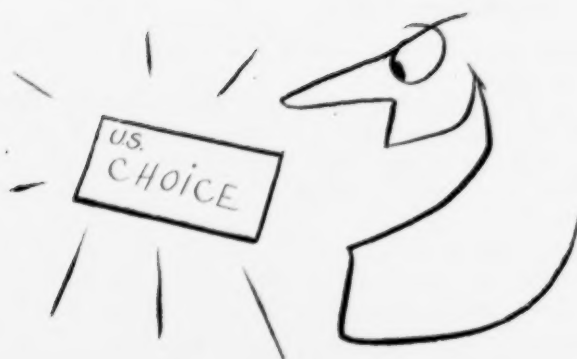
Usually in canned fruits and vegetables, a moderate-income family's best buy is Grade B, or for most family uses, Grade C. For example, in peaches, there is a difference of ten cents or more a can between Grade C (irregular pieces) and Grade A (uniform pieces). But the difference in flavor is for the most part indistinguishable.

In general a helpful policy is to use the higher grades for the table and lower grades for the pot. Sometimes there is confusion, however, not only about the differing qualities of the grades but also over the grades themselves. Eggs, for instance, are graded AA, A, and B, according to federal standards, while New York State uses its own grades: A, B, and C. The yolk of Grade A (New York Grade B) eggs is a little flatter, and the flavor a little less delicate than in the Grade AA (New York Grade A). You might want the highest grade for boiling or frying, but the next grade is just as satisfactory for omelets, casseroles, and other cooking and baking purposes.



In beef and veal, the official U.S. Grades are U.S. "Prime," "Choice," "Good," and "Standard." *Good* usually is the best buy because the price is less than the *Choice* and the meat is comparatively lean. *Good* has less fat than the costlier *Choice*, and so is less juicy, but is relatively tender.

The difficulty of trying to shop without grades was shown in a recent demonstration at the U.S. Department of Agriculture's Food and Home Fair. At the "Pick the Grade" exhibit, 90 per cent of those who tried were unable to identify qualities of beef from the appearance. More often than not, they selected U.S. Standard as top-quality beef. (Most people would prefer Choice



or Prime when biting into it, depending on the cooking method used. But shoppers often look for a lean meat when buying it.)

Since use of U.S. grade designations is voluntary, you will only see them occasionally on food cans and packages. Poultry, beef, and lamb often bear the U.S. grade; other meats, sometimes; canned and frozen fruits and vegetables, sometimes; fresh fruits and vegetables, more rarely. Eggs more often may be graded and labeled according to state marketing laws, which are not uniform and sometimes tend to favor eggs produced on local farms more than those shipped in from other states.

To get the most usefulness from whatever federal grade designations are available in your local stores, you need to know the marks used for various foods. Most are letter designations. There is some tendency to give high-sounding designations to even medium quality, sometimes at the sacrifice of uniformity in designation. For example, while for poultry, the top grade is U.S. "A," for cheddar cheese, "A" is the second grade, and the top grade is "AA." A number of the more widely-used grade designations will be found in the table of quality standards at the end of this pamphlet.

### **fiber-identification labels**

Standards are even scarcer on other items than on foods. But there are some.

For clothing, carpeting, and other textile products, the fiber identification laws can be helpful when shopping, if you know what to look for, especially in these days of new fibers which are either used alone or blended with the traditional cotton, wool, and rayon.

Every garment or other textile product is supposed to be labeled with the percentage of each fiber in the material. This enables you to know whether the material has 50 per cent Dacron or perhaps only 15; a little nylon or a lot, and so on.

The fiber-identification labels do not solve all your shopping problems. You yourself still have to judge the actual quality. A good-quality rayon will give better service than a poorly constructed rayon-and-nylon. Or a tightly woven wool-and-cotton may wear better than a loosely woven, low-grade all-wool. To evaluate the genuineness of such claims as wash-and-wear, non-pull, and stain resistant, you would need another type of label, called "performance" labels. These are virtually nonexistent, although consumers and retailers are asking that industry and government authorities explore possibilities of developing them.

In addition to the percentage of each fiber, the law requires that ads and labels also state their generic, or scientific, name. For example, Orlon, Acrilan, Creslan, and Zefran are all "acrylic" fibers. Thus, you know that these trade names represent basically the same fiber. Another especially important group to know are the polyester fibers, usually sold under such brand names as Dacron, Kodel, Vycron, Fortrel, and Terylene.

In buying wool garments and materials, you have the assistance of another law — the Wool Products Labeling Act — which requires that the label must show the percentage of new wool (called simply "wool"), reprocessed wool, reused wool, and other fibers. The usefulness of this information to you lies in

the fact that new wool is *generally* preferable to a mixture of new and used or reprocessed wool. Again, however, these are not performance labels, and so are not a complete assurance of performance. For example, a mixture of good quality wools, if at least half new wool, may make a more desirable fabric than low-grade new wool. Thus, in addition to reading the label you also need to observe the general quality.

The only actual performance label developed so far is the "L22" standard of the American Standards Association (ASA), which assures careful construction and finishing. Although this standard has been in existence for some years, only a few firms actually attach tags to rayons stating that the fabric meets the ASA L22 standard.

In shopping for mattresses and upholstered furniture some help is available to you from tags, required by various states, stating the filling content.

### **shoe labels**

Since 1963, the Federal Trade Commission has required that shoes be labeled accordingly if they contain synthetic materials or such lower grades of leather as split cowhide or pulverized leather. Unfortunately, the permitted wording is not always clear to everyday shoppers. For example, a label inside a shoe may state: "Olefinic upper - all other components man-made materials." This means that the uppers are a plastic resembling patent leather, and the sole and other components are synthetic.

The shoe labels are useful in showing whether innersoles are made of lower-quality materials, although the rules here are somewhat weak. They allow the sellers merely to state: "inner-sole of non-leather shoeboard." In this case, you will need to ask the retailer just what the non-leather material is. Whether it is plastic or paper makes a difference in the wear you can expect.

The rules also require that shoes which have been given a surface appearance imitating some of the costlier leathers, like

alligator, must be labeled accordingly; for example, "simulated alligator made of split cowhide."

#### **standards for other goods**

Standards which you might use to judge other necessities are much fewer than for food and textiles. But several important ones exist which can help informed buyers cut through much of the shopping confusion, save surprising amounts of money, and even help assure the safe use of electrical and other potentially dangerous products.

Most of the non-food and clothing standards that are available are voluntary ones developed by industry groups themselves, often with the encouragement and guidance of manufacturers, retailers, and government agencies. The U.S.A. Standards Institute (formerly called the American Standards Association) has been instrumental in helping to develop standards for photographic supplies, power lawn mowers, and many other goods. Sometimes U.S.A.S.I. has worked in collaboration with such industry groups as the National Electrical Manufacturers Association.

Because there are U.S.A.S. standards for photo equipment that manufacturers commit themselves to, you can use a film made by one company and a color filter made by a second in a camera made by a third. In this instance not only has quality been standardized but also dimensions have been made uniform.

The various seals or labels indicating standards available for many items are listed in the tables at the end of this pamphlet. Especially note the USP standard for household medicines and vitamin products. By reading these labels, you will find, for example, that two different brands of aspirin both labeled USP meet the same standard, although one bottle with a highly advertised brand name may cost five times as much as the other. If two brands of vitamins are both labeled USP, and the potencies listed are similar, there is no reason to pay \$9.50 for one if the other costs only \$3.50.



In regard to prescription medicines, the much publicized Kefauver-Harris Drug Amendments of 1962, provide assurance that your doctor can prescribe, and you can use, drugs bought under their generic, or common, names at lower prices than under brand names. This law also gave the Food and Drug Administration (FDA) additional authority to control the manufacture of drugs to assure their safety, identity, and purity. Thus the fear of inferior quality is no longer a valid reason for buying a brand-name drug instead of the lower-priced generic equivalent. The savings are large if your doctor — on whose judgment you finally must rely — prescribes a generic drug. A certain drug often prescribed for asthma sufferers, sells for \$4.50 to \$5 per 100 at retail under its brand name. But equivalent drugs under their generic names retail for \$1.50 to \$2.

### IN CONCLUSION

More consumer standards to help harassed shoppers may be on the way as both government agencies and at least some industry people try to catch up with the need. The FDA is accelerating its work on food standards; the President's Consumer Assistant is encouraging both federal and industry agencies to explore possibilities of developing performance and other standards, and some consumer-minded Senators also are pushing for such helps. Some manufacturers maintain that their marketing surveys give them a great deal more information about consumer desires than the government, with its meager research budget, possesses. If that is the case, more funds are obviously required so that government agencies can do a thorough job of realistic consumer research.

In some areas, especially where safety is concerned, the need for action is urgent. In the case of tires, many criticisms have been voiced about the confusing terminology used by manufacturers to designate various qualities, the lack of any official

minimum specifications for different grades of tires, and what has been called insufficient testing procedures by the manufacturers. Senator Gaylord Nelson, of Wisconsin, has revealed that a tire-industry official had admitted to the Federal Trade Commission that the test for original-equipment tires for a six-passenger sedan is based on the assumption that there will be only three passengers and no baggage in the car.

Meanwhile, consumers will profit by following such standards and guides as have been developed. A list of grades and standards a wary buyer can use for more effective, money-conserving shopping is given on the next page.



## QUALITY STANDARDS TO LOOK FOR

| TYPE OF<br>PURCHASE      | DESIGNATION OR<br>GRADE MARK | MEANING AND<br>USEFULNESS                                                                                                                                                                     |
|--------------------------|------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Medicines<br>or vitamins | USP or NF                    | Indicates product meets specifications of the <i>United States Pharmacopeia Convention</i> or the <i>National Formulary</i> for this kind of medicine.                                        |
| Electrical<br>equipment  | U.L.                         | Equipment has been tested for fire or shock hazard by <i>Underwriters Laboratories</i> . (Label on cord does not necessarily apply to the appliance itself.)                                  |
| Air<br>conditioners      | NEMA seal                    | Means the claimed Btu cooling capacity has been checked by Electrical Testing Laboratories, Inc., for compliance with standards of the <i>National Electrical Manufacturers Association</i> . |
| Gas ranges               | Blue Star                    | Model meets <i>American Gas Association</i> basic standards for sturdiness, safety, cooking performance.                                                                                      |
|                          | Gold Star                    | Meets AGA standard for deluxe ranges with convenience features.                                                                                                                               |
| Refrigerators            | NEMA certification           | Claimed net volume and shelf area meets NEMA standards.                                                                                                                                       |
| Water<br>heaters         | NEMA or<br>AGA seal          | Claimed recovery rate, other features, meet NEMA or AGA standards.                                                                                                                            |

|                    |                               |                                                                                                                                        |
|--------------------|-------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| Dehumidifiers      | <b>NEMA seal</b>              | Certifies water-removal capacity is as claimed.                                                                                        |
| Power mowers       | <b>U.S.A.S. B71.1</b>         | Product meets <i>U.S.A. Standards Institute</i> safety specifications.                                                                 |
| Photo equipment    | <b>U.S.A.S. stamp</b>         | Products such as photo box, exposure meter, film meet U.S.A.S. photo speed and evaluation system.                                      |
| Fire extinguishers | <b>U.L., Coast Guard, ICC</b> | Meets standards of these agencies for fire-killing effectiveness; U.L. rates by number for effectiveness, by letter for class of fire. |

#### LEADING U.S.D.A. FOOD GRADES\*

| FOOD             | DESIGNATIONS<br>(in order of descending quality)                                          |
|------------------|-------------------------------------------------------------------------------------------|
| Beef, Veal, Lamb | U.S. Prime, Choice, Good, Standard                                                        |
| Poultry          | U.S. Grades A and B                                                                       |
| Eggs             | U.S. Grades AA, A, and B<br>(Also classified for size: extra-large, large, medium, small) |
| Butter           | U.S. Grades AA, A, and B                                                                  |
| Cheddar cheese   | U.S. Grades AA and A                                                                      |

\*Official United States Department of Agriculture grades are shown in a shield and say "U.S." or "USDA"; for example, *U.S. Grade A* or *USDA Choice*. Unofficial grades such as "Grade A" or "Fancy" may be merely the packer's own designation. In most cases, when such unofficial grades are used, the products must meet any federal or state grades which apply.

Canned, frozen,  
dried fruits,  
vegetables

U.S. Grade A or U.S. Fancy; U.S. Grade B  
or U.S. Choice or U.S. Extra Standard; U.S.  
Grade C or U.S. Standard

Rice, lentils, dry  
beans, dry peas

U.S. No. 1 or 2

Nonfat dry milk

U.S. Extra Grade  
(single quality grade)

Process cheese

U.S. Quality Approved

Apples

U.S. Extra Fancy, U.S. Fancy, U.S. No. 1,  
U.S. Utility

Other fresh  
fruit, vegetables

Wholesale grades such as U.S. No. 1, 2,  
etc., may carry through to retail markets.  
Consumer grades, U.S. Grade A, B, etc., are  
used on a few products.

## WHAT TO READ

**Shopper's Guide to U.S. Grades for Food.** Home and Garden Bulletin No. 58, U.S. Department of Agriculture; available from Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20250 (10 cents), or single copies free from the Office of Information, U.S. Department of Agriculture, Washington, D. C. 20250.

**What Consumers Should Know about Food Standards.** Describes how standards are set. Single copies free from Food and Drug Administration, Washington, D.C. 20204.

**Read the Label.** Tells what to look for on the labels of foods, drugs, cosmetics. Single copies free from Food and Drug Administration, Washington, D.C. 20204.

**Consumer Reports.** Provides testing reports on many commodities, as well as information on consumer goods standards. Available from Consumers Union of the United States, 256 Washington Street, Mount Vernon, N.Y. 10550 (\$6 a year including annual Buying Guide).

**Food Marketing Information for Consumers,** pamphlet; single copies free from New York State Extension Service, offices at 11 Park Place, New York, N.Y. 10007, and Cornell University, Ithaca, N.Y.



## A Selection of Public Affairs Pamphlets — see rates on back cover

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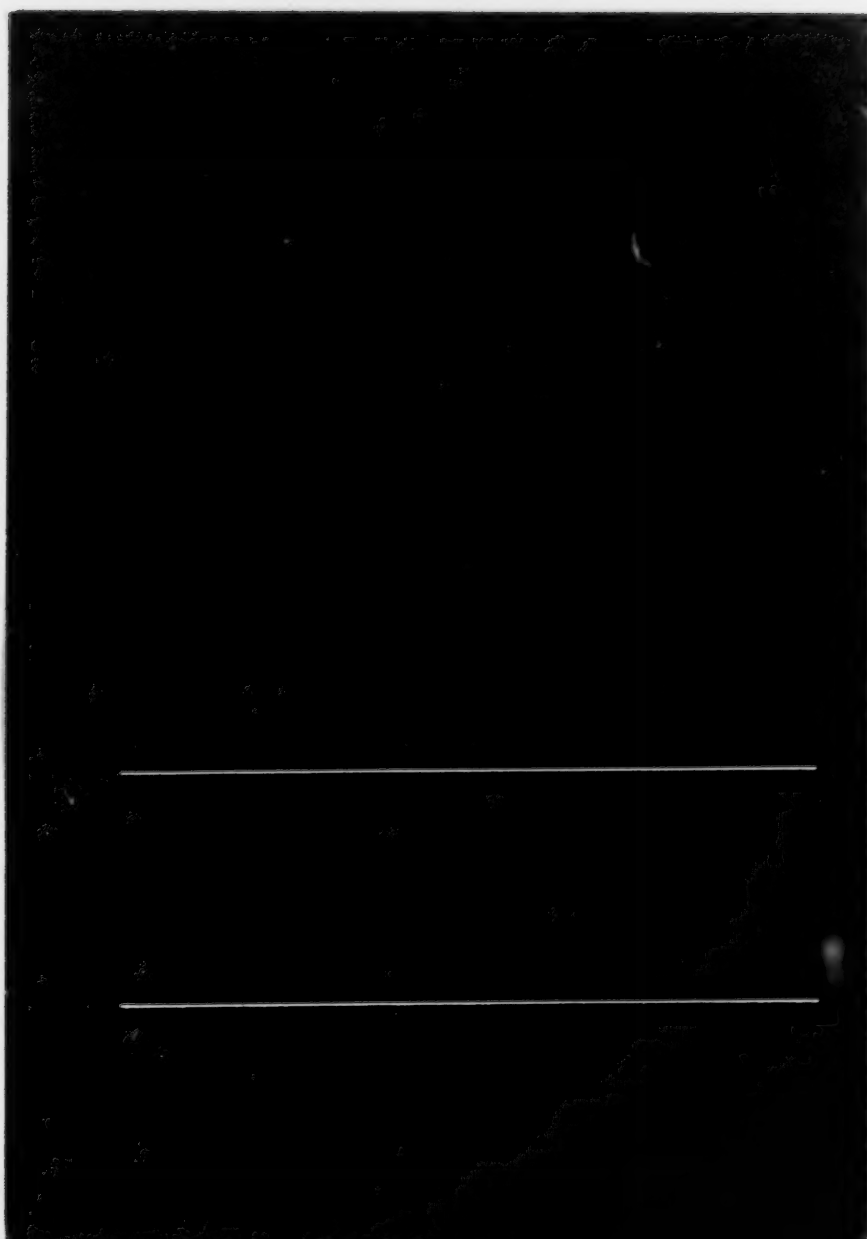
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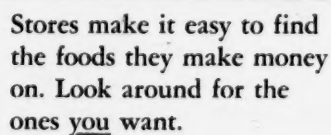
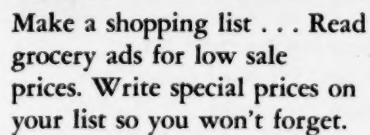
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# 12 SECRETS of Smart Food Buying!





Look at prices on SPECIAL displays. Do they cost you more than regular shelf prices? Tubs and bins on the floor may have high-priced things in them.



Are there pink lights over the fresh meat? They may make meat look fresher. Ground beef may seem to have less fat. See how it looks under regular light.



Some **BIG** packages have less than small ones . . . Look for the little numbers that show "net weight" . . . They tell how much is **REALLY** inside!



Some bottles have funny shapes. It's hard to tell how much they hold . . . Look for those small numbers. They may be hard to find.



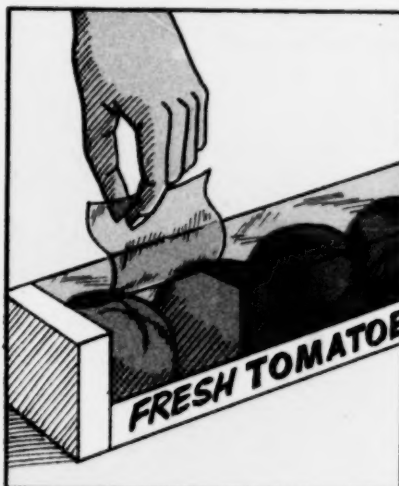
Low-priced meat isn't always cheap. You may buy a lot of bone and fat . . . Does the best side show? Is the side you can't see mostly bone and fat?



Some brand names you know. But ask for the store's own brand, too. STORE brands may cost you a lot less. They're often just as good.



Is the "big" loaf full of air so it just looks bigger? READ THE LABEL. How much does a regular loaf weigh? Does the "big" loaf weigh more . . . or just the same?



Is there a pink plastic wrap on the tomatoes or carrots or franks? Look them over. The wrap may make food look better than it is.



Does the checker call out every price? NO one can remember all the prices. SPECIAL prices often aren't marked on the can. Clerks may ring up a regular price instead. This can cost you money.



Sometimes you want to bring back what you buy. Tell the store. Most stores will give you another package or give you back your money.



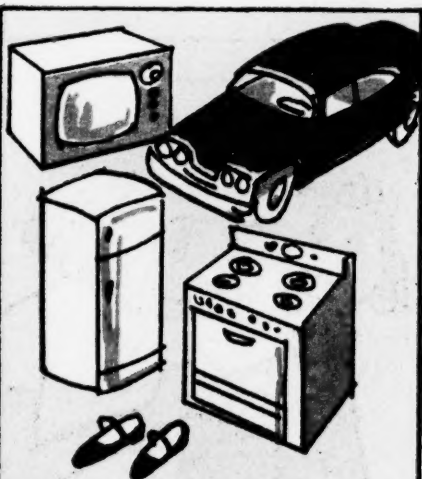
COPYRIGHT ©1967 BY BAY AREA NEIGHBORHOOD DEVELOPMENT

# MY MOMMY'S SMART!



'Cause when she goes to the store—she always asks questions.

LD 070688



'Specially when she buys things that cost a lot. Like a car or a TV or a washing machine or a suit. Or even shoes for me!



She studies about big things before she goes to the store. She reads the ads in the papers. But she says the ads don't tell everything.



She wants to know the good things and the bad things to watch for. She reads reports in "consumer" magazines.



She says she can't test them all herself. She looks for tests made by people who don't sell things.



She says nobody can know all about TV's and cars and tomatoes and shoes. Or apples and meat and everything.



My mommy says you have to compare things and prices to be sure you get the most for your money.



In the food store she reads what it says on the box. Even the little letters.

$$\begin{array}{r} 39¢ \text{ 1 pt. } 6\frac{3}{4} \text{ oz.} \\ 10\frac{1}{2} \text{ oz.} \\ \hline ? \\ 15 \overline{) 57¢} \end{array}$$

She tries to find out what costs most. She says this is hard to do. I know 16 ounces is a pound. And 14 ounces is smaller. And  $12\frac{1}{2}$  ounces is still smaller — I get all mixed up on fractions.



All those crazy sizes. Mommy says most of the time they do this so we can't tell what's the best buy. It's hard to tell what costs the most.



She often goes to more than one store, to compare goods and prices. She buys where the prices are the best.



Now we can do what we want with our money. Not what the man in the store wants. Mommy says our money buys more this way.



Daddy says Mommy is a good manager. When I grow up, I'm going to be a good manager, too.

ED 070688

## Attitudes That Affect Financial Problems

How do people feel? How do they approach life? The counselor must understand these attitudes to help families in financial trouble. Some people are more independent than others; some are too dependent on others; some are hostile, and haven't learned acceptable ways to express themselves.

Many people show childish behavior by impulse buying: they want what they want when they want it. The "adult" individual considers the effect of his acts on others. He is a realist; he meets his basic needs, doesn't get into trouble with society or with his own values.

"Normal" people vary greatly in maturity. Each develops his own values, standards and goals.

1. A value is a force within you that strongly directs your life. Each places his own weight on values: health, love, comfort, friendship, knowledge, skills, ethical values. How you spend your money suggests what you think is important.
2. A standard is a force outside you that affects how you think you should live. "Keeping up with the Joneses" may make you buy more than you can pay for.
3. A goal is something you work for. Owning your home can be a goal. Goals may be a more direct choice than values and standards. To make a practical budget, first define your goals: Short and long term.

In a "family," there are other factors. These are the family patterns set by its members -- each with his own values, standards and goals. The more closely husband and wife agree on these, the less conflict and financial worry they'll have.

Individual factors affect money management: the "child-like" spouse may buy what she wants when she wants it, runs up debts; A "domineering" spouse may make other members of the family resent her control over their purchases -- they may buy wildly to "get even."

Financial counselors can help individuals grow in maturity. The counselor can help families learn to say "no" to salesmen, to telephone solicitors, to "bait" advertising, to impulse buying.

But some can't be helped that easily. They may need to be taken to other agencies if they show denial of their needs by penny-pinching, denial of society by withdrawing from it, defiance of society by forging checks or shoplifting.

Less extreme behavior can include:

1. Resistance to restraint -- uncontrolled spending.
2. Avoidance of reality -- in debt for a \$4,000 car when he can't afford a motor scooter.
3. Selfishness -- the dishonest tax return, the employee who's always late.
4. Fear -- worry, indecision, inability to take criticism, prejudice.
5. Dependence -- often borrows money; looks on boss as a "father."
6. Hate -- doesn't trust himself, suspects and dislikes others.



Many problems are related to personal finance:

1. Emotional immaturity may prevent a person from acting responsibly on information he has. He may want to fail.
2. Will power may be weak in an immature person. The counselor can help him get more insight into himself and his problems.
3. Avoiding reality can let a person buy a \$500 color television set when he already owes \$1,500 he can't pay.
4. Unrealistic spending may come from personal or social factors. Advertising builds new desires to buy; credit cards make buying too easy for many. Talk about "the affluent society" makes some feel they should have more than they can pay for.
5. Low intelligence prevents a few from understanding money management. Others lack education, can't keep their checkbook balanced. Lack of business experience may be a problem.
6. Unwillingness to accept a lower position: the man who fails at professional work may do very well at another job -- if he'll try to work and live within his ability.
7. Ineffective job-seeking may be due to education experience. Or he may not want to work: maybe he was dependent on parents. He may get himself into debt, look to others to get him out.
8. Financial dependency may block him from earning enough to live on. Or he may not want to live on what he earns. Some parents "work themselves to the bone" so children can have advantages they lacked.

9. Debt consolidation may go wrong in the hands of a weak person. If you help him borrow enough to pay off all his debts, he has one instead of many creditors. This helps many; a few see something they can't afford -- and buy it. Then they want still another loan.

10. Hostility may cause debt. A wife may "get even" by running up debts. She may resent him because he doesn't let her buy all the luxuries. Teenagers may use credit to get back at parents, as a substitute for affection denied at home.

11. Money management is possible, even with very moderate incomes. People who budget their needs and wants within their income can get by. The high-income family isn't always more solvent than the low-income family.

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CONSUMER COUNSELING SERIES #3

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# THE SIGNIFICANCE OF CONSUMERISM

by

**MILAN D. SMITH**  
*Executive Vice President*

**NATIONAL CANNERS ASSOCIATION**  
**WASHINGTON, D. C.**

*Abstract of an address before the  
Midwestern Canners Sales Conference*

**O'HARE INN, DES PLAINES, ILLINOIS**  
**APRIL 7, 1967**



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Consumers are our customers. We want them to be interested in our products, our firms, and our industry. We believe wholeheartedly that the canned food we produce and the foods produced by other sectors of the vast food industry are a far greater value than most consumers realize. It is our urgent obligation to rectify the widespread misunderstanding that was evident in the recent consumer boycotts.

Much of the food industry's rebuttal thus far has been to point to the inflationary forces which have raised some prices, while also maintaining that food is a bargain as compared with other commodities and services. This defensive posture can be fully justified with the facts at hand, but it is more appropriate for us to take greater initiative, to be more aggressive, in enlightening the public.

### **Everyone Is a Consumer**

Obviously, we are all consumers of food — every man, woman, and child must have food to live. Some might want to qualify that statement by saying, "Yes, but not every man, woman, and child does the grocery shopping." Are you sure? It is quite common to see men wheeling grocery carts around supermarkets diligently selecting the items on the shopping list (plus many more impulse items, their wives protest!). And many a heart has been warmed at the sight of a child reaching out for an appealing package, thus wanting to participate in the shopping process. But even if most men and children are not involved in the actual shopping, their preferences are considered by the homemaker, and she adjusts her shopping selections accordingly.

The spokesmen for consumers are a small, but dedicated and vocal group. Their expressions, however, are not necessarily representative of the vast majority of real consumers.

### **Food Comes First**

Why, we may ask, has the consumer revolt been focused on food, when it is so obvious that many other items are much

higher in price per unit, and have greatly increased in price (percentage-wise) over the years as compared to food?

There are several reasons. I have already referred to the fact, which is inescapable, that *we must eat to live*. Psychologists list "food and drink" as the first fundamental human drive.

*Habit* is another psychological factor that helps to explain the emphasis placed on food prices. People shop for food frequently, and having certain preferences for particular food items and brands, shoppers become familiar with the prices and tend to remember them. When the price changes, shoppers will very likely notice it.

Another thing that lingers in the shopper's mind is the total size of the food bill, in dollars. It is not surprising that the homemaker may be startled when she sees the total of her order is \$25 and she recalls, possibly with resentment, how just a few years ago it used to be, say, \$15. What she may fail to realize is that her family has grown, perhaps in number, but more likely in their intake capacity. More food is required to feed a teenager than a child in the fifth grade. Another factor entering increasingly into consideration, is that the total *grocery* bill tends to include more *non-food items* now than it did in past years, because many supermarkets carry more higher margin, non-food items.

Moreover, Trienah Meyers, of the USDA Economic Research Service, recently pointed out, many families have a significant proportion of their budget committed to monthly payments for the mortgage on their home, the family car, the washing machine, a set of books, or whatever. They pay for these committed expenditures, and then, with the cash that is left over, they must stretch their budget to pay for food. It is natural that when the remaining cash is short, they tend to blame the price of food.

Miss Meyers observed also that consumers generally have a certain price range in mind for specific food items, and furthermore, that this price range tends to be on the low side.



For items like fryers, some consumers consider the "special weekend price to be the regular price, although the store may be using that item as a 'loss leader'" (a product sold below cost in order to attract customers).

### **Food Really Is a Bargain**

The consumer boycotts of 1966 and other complaints about rising food prices are especially paradoxical when we consider the facts. The American people are fortunate in that food still takes less of the consumer dollar in the United States than anywhere else in the world. Not so long ago our country's food and agricultural industries joined in emphasizing that "Food Is a Bargain." "What ever happened to that campaign?" you may ask. The answer should, of course, be obvious — accelerating inflationary forces led to some higher food prices. This caused some consumer reaction which weakened the appeal of that statement, though the statement remained factual.

But the fact is that food required only 18.1 percent of the "after tax" incomes of United States citizens in 1966, while in 1956 it required 20.6 percent. In 1947, 25.7 percent of the family disposable income went for food.

Even more strikingly, a U. S. Department of Agriculture compilation reveals that food expenditures in the United States represented 19.8 percent of all consumption expenditures in 1964, the most recent year in the comparison, in contrast to 58 percent in Ghana and Korea, 51 percent in Nationalist China, 46 percent in Yugoslavia, 44 percent in Ecuador, 42 percent in Italy, and 26 percent in the United Kingdom. And these percentages do not take into consideration the many conveniences built into U. S. foods nor their exceptionally high quality and nutritive value.

### **What About the "Cost-of-Living" Index?**

Many people tend to notice increases in the prices of one or a few food items and will generalize from this limited ob-

servation that all food prices have increased. You will recall that the principal focus in the recent consumer boycotts was on such items as milk, bread, and meat. However, it was rarely observed that other items have decreased in price.

Perhaps this spotty assessment stems from the misinterpretation of published statistics on food prices. In her book *How to Get More for Your Money*, Sylvia Porter observes that the only official yardstick for measuring inflation is the Bureau of Labor Statistics Consumer Price Index, which is popularly called the "Cost-of-Living" index. But she raises a very basic question, and answers it: "But is this index really a cost-of-living index? It is not. It never was intended to be."

Actually, the government does not purport the index to be a full measure of the cost of living. It is merely intended to measure price changes for a specified list of items, and in the quantities used by a limited sector of our population, namely, urban wage earners and clerical workers. The index is sometimes challenged because it does not take into account the special prices prevailing on weekends when most people do their food shopping. Also, the prices are weighted in proportion to the quantities of food bought by a sampling of families from whom records are obtained in household food surveys taken at intervals as long as ten years between such surveys. Families may shift their purchases of different items between survey periods, and even more important, they may shift their purchases from one item to another as prices change.

Misconceptions about the true meaning of the Consumer Price Index become even more apparent when we look at some of the sub-groups within the food category. The Consumer Price Index for February 1967 shows that the price index for all items was 114.8, on a basis where 1957-59 equals 100. This means that the cost of all items in the Consumer Price Index had increased 14.8 percent since the 1957-59 three-year average base period. For the same month the index for the price of all food was 114.2, which indicates that all food increased slightly less than the average of other items in the index. How-

ever, a sub-group under the total food category is "food at home" which would include food bought in supermarkets and other retail outlets. Prices in this category had increased only 11.7 percent since the base period. On the other hand, prices of "food away from home" which is largely restaurant meals with labor weighing heavily in the pricing, increased 27.4 percent since the base period. For another meaningful comparison, consider the fact that weekly earnings of factory production workers increased 32 percent from the 1957-59 base period to February 1967.

### **How do Canned Foods Compare?**

Because a separate index for the category "canned foods" is not published by BLS, the NCA Division of Statistics and Economics calculated an index for the ten canned items published in the government's index. This index was based on prices compiled by BLS and includes canned fruits, vegetables, soups, spaghetti, and baby foods. Since December 1963, when the ten canned foods currently in the index were first reported, the resulting index showed that the prices of these canned foods have increased by only 1.7 percent as of February 1967. Over the same period, December 1963 - February 1967, prices of "food at home" increased 7.7 percent while "food away from home" increased 11.5 percent.

And how did these price increases of 1.7 percent for canned foods and 7.7 percent for "food at home" compare with other living costs in February 1967? By way of comparison you will be interested in the following facts. The cost of medical care was up 13.3 percent; public transportation, up 9.9 percent; footwear up 11.0 percent; homeownership, up 9.7 percent, and services, up 11.6 percent.

### **The Misunderstanding of Marketing Margins**

Another incorrect yet popular conception of food prices, and the costs that must be covered by these prices, is that many people equate *marketing margins* with *profits*. The popular

and much-quoted statistic which is most likely to leave this erroneous impression is the Farmer's Share of the Consumer's Dollar. The basic confusion is that some look on this statistic as a measure of economic returns and profits to farmers, in a one-to-one ratio. This can be quite deceptive. For example, dairy farmers who receive 74 cents of the consumer's dollar spent for butter may earn a lower return on their investment than the wheat grower who receives 14 cents of the consumer's dollar spent for white bread.

We in the food industry should be particularly concerned about the widespread misconception of the marketing margin between the price received by farmers and the price paid by consumers. Too often, the elusive *middleman* is made the scapegoat as being the culprit who profits by the allegedly high margins for foods. Here are some revealing facts for 1965, the last year for which these USDA figures are available. In this year, for each \$10 of consumer expenditures for food products of U. S. origin, the amounts represented by different cost items were as follows:

|                                                                                                                                                            |         |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| Farmer .....                                                                                                                                               | \$ 3.29 |
| Labor .....                                                                                                                                                | 2.82    |
| Railroads and trucking firms .....                                                                                                                         | .67     |
| Other costs: building and equipment,<br>fuel and electricity, containers and<br>packaging, interest, taxes (other than<br>income), and miscellaneous ..... | 2.85    |
| Corporate profit, before income taxes .....                                                                                                                | .37     |
| (After income taxes) .....                                                                                                                                 | (.19)   |
| Total Expenditures for Food .....                                                                                                                          | \$10.00 |

The point of emphasis is that a breakdown of costs in this manner clearly shows that profit is a very small part of the marketing margin — only 1.9 percent after taxes.

### **Can Costs Be Reduced?**

A look at the daily papers quickly brings one to the conclusion that labor is not about to accept less money for the

workingman's efforts. Transportation firms are competitive and are faced with rising costs. Other expenses such as taxes and interest are inescapable and are increasing, as are costs of equipment, utilities, and packaging materials. Advertising has been a target in the consumer boycotts, and although some forms such as stamps and games have been or may be curtailed, advertising may actually have a beneficial and cost-reducing effect. As for the return to the farmers, the government programs over the last three decades have been aimed at improving the income of farmers.

### **What About the 'Middleman'?**

It is a common practice of the *consumer protectors* to point an accusing finger to the *middleman* as a selfish villain who sponges up the consumer's dollar and returns little service. Although the middleman is vaguely perceived, he is precisely accused. In fact, the middleman is the *entire complex* of marketing firms and handlers engaged in the processes of bringing food from the farm to the consumer. The middleman is the buyer who assembles farm products, the transportation executive who ships them, the canner, freezer, or other processor who transforms the raw product into the convenient form desired by consumers, the warehouse owner who stores the food until the consumer needs it, the wholesaler and retailer who channels food to the locations where consumers expect to buy it, and any other intermediary marketing firm engaged in any phase of the process.

### **What Causes Inflation?**

Inflation is the general increase in prices that results from increased demand, both from civilian consumers and from government spending, and from increased costs of production due to wage increases and higher prices of materials, supplies, and equipment used in production. We in the food industry may add to this the element of unpredictable weather with



which agriculture must always contend and which often results in curtailed supplies that lead to temporary higher prices.

On the supply side, the facts are very well stated in a publication of the National Association of Food Chains, entitled ***Food Prices in an Expanding Economy—Outlook for the late 1960's.*** Here is a key quotation from that report: "Historically, 1966 must be viewed as a transition year between a 20-year period of burdensome, surplus supplies of food and a period ahead when shortages of some products are of major concern."

Of particular significance to the fruit and vegetable processing industry are the year-to-year fluctuations in supplies due to weather conditions. Spring freezes cut the sour cherry crop in the Great Lakes States to 77,000 tons in 1966 as compared to the bumper crop of 263,000 tons in 1964. In the Midwest and some Eastern States, yields and harvested acreage of sweet corn were down due to adverse weather conditions in 1966. These are but a few examples of a phenomenon which canners face continually.

Consider, too, the influence of labor shortages on the output of the fruit and vegetable processing industry. The termination of the program permitting the use of foreign agricultural workers sharply reduced the production of asparagus and tomatoes for processing in California in 1965 and affected labor supply in other areas. Since then we have noted an increasing number of reports regarding difficulty in obtaining workers for canning plants as well as for field labor.

In addition to the changes in physical supplies, particularly the price-increasing effect of reduced harvest, we must also recognize the effect of increasing cost of operation. USDA statistics reveal that total civilian expenditures for U. S. farm foods increased 79 percent from the base period 1947-49 to 1965. However, over the same period labor costs doubled. In this connection, we should bear in mind that this is the actual expenditure for labor. Wage rates increased even more, but increased production efficiency and improved technology



served to reduce labor costs from what they otherwise might have been. Rail and truck transportation more than doubled to 136 percent. It is particularly striking to observe the tremendous increase, 123 percent, in some of the other cost components. Interest more than tripled, business taxes increased nearly threefold, and depreciation on buildings and machinery was up markedly.

### **What Is the Effect of Advertising?**

Advertising has borne the brunt of much consumer criticism. The report of the National Commission on Food Marketing was particularly critical of advertising and sales promotion, claiming that these activities were "a significant reason for the substantial spread between farm and retail prices." That report recognized, however, that some of this promotional expenditure was returned to consumers directly, as in the form of premiums for trading stamps. Also, it recognized the social value of paid advertising which sponsors television programs and helps pay for magazines and newspapers. Furthermore, it acknowledged the very fundamental justification of advertising in that it provides consumers with information about products, where they may be purchased, and at what prices.

On the other hand, the Commission failed to examine or to acknowledge a very important economic justification for advertising. An elementary economic principle is that fixed costs (often referred to as overhead costs) can be spread over more units of particular products by processing a larger volume. With such increased volume, higher capacity equipment can be installed with the effect of further reducing unit costs. The firm that advertises and promotes its product is paving the way to increase its sales volume to the point, and beyond, where these cost-reducing efficiencies can be implemented and justified. Such sales increases frequently enable canning plants to operate a greater part of the year, thus also serving to spread overhead over more units of product.

### **Competition Is an Important Factor**

In spite of the constant stream of increased costs, canners have sought to introduce more efficient techniques in order to hold the line on selling prices. Furthermore, consider the important price-restraining factor of *competition*, which unfortunately is too often ignored by the consumer protestors.

It is actually the consumer who sets the whole competitive system into operation. In the process of selecting food items, the consumer is comparing not only prices, but also quality, dependability, services, and other criteria. In this selection process, one product is compared with another, and one store is compared with another. In turn, the stores must compete for the consumers' favor to maintain or improve their competitive position. Food store buyers seek out those suppliers who provide finished products at the most attractive and competitive prices. Processors in turn must find growers who provide the type of raw product required, at the time and place needed, at a price mutually satisfactory to the grower and processor. In terms of the marketing cost each component must approximate that of the same products from adjacent or other areas if the processor is to be successful in winning consumer acceptance for his product.

### **Government Controls vs. Voluntary Contracts**

There are pressures at both ends of this marketing channel. First, at the farm level, there is constant thrust for increased prices. For at least the last three decades, segments of American agriculture have been plagued by price-depressing surpluses. Various government farm programs have been and are still designed to curtail production while simultaneously disposing of surplus stored farm commodities. Government price support programs have not been widely used in connection with the raw products, principally fruits and vegetables, processed by canners. For several of these raw products,

marketing orders are the most frequently suggested means of increasing grower returns.

In a study of marketing orders for cling peaches and asparagus, conducted by Drs. John Jamison and Karl Brandt of the Stanford University Food Research Institute, it was shown that returns to growers of these crops under marketing orders increased by a lower percentage, over the last three decades, than returns from alternative unregulated canning crops. Also, it was shown that during the early years of marketing order controls on cling peaches, volume controls tended to temporarily increase producer prices, thus attracting more growers to the industry and encouraging increased planting. Consequently, a chronic situation of excess capacity resulted, with a price-depressing effect.

The study indicated other ways in which marketing orders had not resulted in the improvements generally sought by most of their advocates. Another disadvantage that was observed is that growers under a marketing order are not equally affected, as larger growers have a greater latitude than smaller growers in meeting supply curtailment provisions under such a plan. This result is particularly ironic because marketing orders are usually proposed as a means of providing collective benefit to growers, which implies *equal* benefit.

The NCA maintains that the best method of negotiating prices between growers and canners is competitive negotiation, free of government administered intervention. Procurement under contract provides growers with the assurance of a market outlet for their product, thus eliminating a large part of the risk they would otherwise encounter. There is a sense of security and satisfaction on the part of the grower and the processor when signatures are affixed to contract terms and each can then count on specifics — grower, in terms of price per ton, etc.; processor, in terms of volume, quality, etc., to be received. Under such contracts, efficient growers are rewarded with satisfactory prices by processors who require raw

products as specified. Too often, critics of the contract system overlook the fact that growers are entirely free to choose their market outlets. If the producer is not offered a satisfactory price from a processor, he may either choose to sell to a competitive outlet, or he may decide not to grow that particular crop at all. Certainly this would be so if any other crop promised a better return.

### **Consumers Exert Controls, Too**

Second, at the other end of the marketing channel, there is pressure from consumers themselves who will resist any product which is not priced according to their desires. Consumer demand is influenced by income and consumers' preferences for the various goods from which they may choose. In the mind of the consumer there is a range in price which she is willing and able to pay for an item or for different quantities of items. Of course, the top of this range serves as a price ceiling in her mind, and if the price of item A is deemed to be too high, the consumer will turn to competitive brand B, or to alternative food choices.

We, the middlemen, assist the movement of food products from farm to consumers by adding three kinds of value. In processing food products, we give *form value* to raw products by converting them to a more convenient form for consumers. When we store canned foods in our warehouses, we are adding *time value* by holding the merchandise until needed by consumers at the retail level. When we sell and transport food products we are providing *place value* by having them where consumers can buy.

Adding the aforementioned values incurs costs, but this fact is not understood by all consumers. In the short-run, prices are largely influenced by the consumers' willingness to purchase. On the other hand, supply is important because the price of a commodity cannot vary greatly from the cost of production. When production costs increase uncontrollably,

as exemplified by cost increases for labor, containers and packages, and equipment, prices must be increased or the processor sells at a loss.

Nevertheless, it would appear that consumers have the advantage because the process of food shopping is a short-run proposition. When consumers go to the supermarket *this* weekend, they will choose on the basis of the prices in existence *this* weekend. As Professor Stuart Henderson Britt said when he testified before the National Commission on Food Marketing during its consumer hearings in October 1965, "Companies revolve around consumers, not the other way around . . . the days of *caveat emptor* — let the *buyer* beware — no longer exist, at least in buying most products in the United States. We might even turn *caveat emptor* and make it *caveat vendor* — 'let the seller beware' — because of the power of consumers to choose freely from among the tremendous number of competing products."

A short-run economic factor that also is misunderstood by the general public is the effect of decreased supplies such as we experience after a severe drought or other vagaries of nature. Also, another example is the effect of increased demand for certain products as exemplified by the recent increased food requirements for our armed forces. The situation is similar to the coin collecting business, where the rare coins bring the highest prices, or the auction sale where the limited collection of antiques is bid up by buyers anxious to acquire the item. All these economic principles and factors are at work in our daily business.

### **Profits Are Not Unethical**

One of the most emphatic messages from the resurgent consumer movement is that middlemen are being accused of taking excessive profits. The facts now available from government sources prove beyond doubt that profits in the food business are not excessive. For the canning industry this observa-



tion was clearly underscored page after page in the findings of the National Commission on Food Marketing.

Some official consumer *voices* seem to regard profit as something unethical. How many of these same consumers are among those who invest in the stock market and are looking for ever-increasing profits by the firms in which they share ownership? The term *profit* needs to be restored to the position of dignity it deserves in the capitalistic system of the United States, which has proved itself by giving us the highest standard of living in the world. A reasonable profit provides a business firm an incentive to continue operation, or to induce progressive improvements which would benefit consumers. One industry leader said in addressing the annual meeting of his company, "We should not encourage the housewife to expect that food can always be cheap when the cost of raising it, processing it, and selling it to her has gone up year after year." Significantly he observed, also, "neither do we wish to see runaway food prices. They could be damaging . . . by encouraging government intervention."

### **Politicians Have Discovered Consumerism**

Political opportunists find rising food prices an appealing vehicle to win constituents' favor. Fortunately, there are many people in government who view the economics of the food industry with more objective understanding. Representative Clarence J. Brown, Jr., told members of the New England Press Association, "I am sure it occurred to you, as it has to me, that there may be a little political motivation in the sudden concern of federal officials for consumers. Since every citizen of our land is a consumer the politicians may have discovered the ultimate in special interest groups to which they can appeal. After all, there are more consumers than there are laboring men; more consumers than those in the poverty category; more consumers than any racial or religious minority; more consumers than veterans, farmers, doctors, or American Indians."



Political intervention in the guise of *consumer protection* has come through legislation, the appointment of consumer advisors and councils, and encouragement in the formation of additional consumer groups. Dr. Max Brunk, of Cornell University, made this important distinction when he addressed the American Meat Institute last fall, "It is very important that we distinguish between the proper role of government in protecting its consumers from deceptive practices and the inappropriate role of serving as intermediary between buyers and sellers in making value judgments."

### **National Canners Association Believes In Voluntary Programs**

From its very establishment, NCA has been committed to protecting consumers on a *voluntary* basis. The founders of our Association recognized the need for an industry association which could monitor the quality of its products to insure wholesomeness. Furthermore, they encouraged the passage of the Pure Food and Drug Act, that being an early example of industry recognition that government had a role in assuring the purity of food. NCA maintains high standard voluntary programs that benefit consumers. Our Agriculture Division and Research Laboratories combined professional expertise to develop the Protective Screen Program which is designed to insure the proper use of insecticides. The NCA Government-Industry Relations Division and Labeling Program have assisted the Department of Commerce and its Bureau of Standards for many years in the development of Simplified Practice Recommendations which set forth recommended container sizes. The Descriptive Labeling Program developed by NCA has been in effect since the mid-1930's predating by many years and therefore satisfying, as far as our industry is concerned, the recent clamor for modified labels for other products.

### **Government Bills Propose More "Protection"**

Among other legislation being considered by Congress is a proposal to create a federal Department of Consumer Affairs.

As provided in this bill, there would be within such a Department an Office of Information, a National Consumer Information Foundation which would test products, an Office of Consumer Safety, and an Institute of Consumer Research which would conduct scientific research valuable to consumers. You will note that two of these proposed activities would clearly be in conflict with private enterprise in that government would attempt to conduct research and to test products and evaluate them for consumers. How can we be sure that the criteria employed in these tests would be fair, objective, and in harmony with the different value systems of millions of American consumers?

During the life of the National Commission on Food Marketing there was constant conjecture as to what legislation might be proposed when the Commission's recommendations were submitted. It is evident that the Commission's findings have served as a catalyst to inspire legislators to introduce a number of so-called consumer oriented bills. For example, Congressman Paul A. Fino of New York has declared that his "Food Consumers Legislative Package" was prompted by that report. His proposed bill would reduce the authorized tax deduction for advertising expenditures by food firms.

Legislation is increasing on the consumer front at the state level, also. Our NCA State Legislative Reporting Service reveals that 63 bills were introduced in January and February 1967 in the area of packaging, labeling, advertising, trade practices, and the establishment of Consumer Councils and Offices of Consumer Protection.

At the federal level, the replacement of Esther Peterson by Betty Furness as Special Assistant to the President for Consumer Affairs has been the subject of much speculation as to the future course of these activities. Some think that Miss Furness will be more effective because hers is now a full-time role, whereas Mrs. Peterson filled the office in addition to the post of Assistant Secretary for Labor Standards in the Depart-

ment of Labor. On the other hand, whereas Mrs. Peterson directed almost all of her attention to food labeling, packaging, and prices, Miss Furness is identified with the objective of looking into all products and services used by the consumer.

It is abundantly clear that one of the most pronounced expressions of the current wave of consumerism is *consumer protection*. To allegedly serve this end we see an acceleration of government and political intervention.

### **What Do Consumers Want?**

Do most of the consumers in the marketplace really desire this pampering protection? Are they really dissatisfied with the extremely wide selection of food items available to them at reasonable prices? Would consumers be willing to do without this degree of variety or without services they enjoy now? According to a survey by the **Progressive Grocer** magazine, the majority of consumers would not welcome such restrictive changes. That survey of over 1,400 consumers reveals that they have a clearer and more objective understanding of the real factors behind increased prices than do many of their spokesmen in the consumer movement. When asked which three items they considered to be mainly responsible for the current level of food prices, about two-thirds indicated "general inflation"; one-half pointed to "rising costs of doing business"; 42 percent mentioned "wage rates"; and one-third recognized "government expenditures."

Further, 31 percent of the consumers in the survey thought the manufacturer was responsible and another 24 percent mentioned the retailer, while only 3 percent included the farmer. This does not necessarily imply that consumers were blaming manufacturers or retailers, but they may have recognized that costs of doing business at this level had to be passed on in the form of higher prices. Nevertheless, it does suggest a need for continual or expanded efforts to educate consumers about the vital services rendered by the middlemen in the

farm-to-consumer cycle of production and distribution — all accomplished at an amazingly low profit margin.

Another very revealing finding of the **Progressive Grocer** study was that the majority of consumers would not be willing to accept reduced shopping services in order to obtain lower food prices. The only changes that a higher percentage of consumers clearly indicated they would be willing to accept were the discontinuation of games and contests and the elimination of trading stamps, supported by 90 percent and 75 percent, respectively. Almost all of the respondents opposed elimination of free parking lots or reduction in the number of check-out clerks. Almost three-fourths opposed the discontinuation of newspaper advertising, and 70 percent opposed a reduction in the variety of merchandise. Well over one-half of the respondents opposed any suggestion for the reduction of shopping hours or closing stores on certain days, and over half were opposed to discontinuing carryout service.

In the main, the evidence points to the conclusion that American homemakers are indeed content and happy with their freedom of choice in the marketplace. This was well expressed by one whose position permits her to hear from vast numbers of people. Willie Mae Rogers, Director of the Good Housekeeping Institute, testified as follows at the New York hearing of the National Commission on Food Marketing, "From our pooled experiences and reader mail, we believe the great mass of American consumers to be generally well-satisfied with today's foods . . . It is too bad that satisfied customers — like happy marriages and non-delinquent teenagers — never make the headlines." As one reason for this satisfaction she referred to the great number of women who are delighted to find their meal planning preparation chores taking a very short time, very little effort, and yet resulting in better planned and more nutritional meals for their families.

This fact was borne out by a USDA study which compared costs of convenience foods and home-prepared foods.

Equal servings of canned foods were found to cost less than the same foods prepared at home from the fresh product. For the eight vegetables in the study, a serving of each would have cost a total of 65.7 cents if prepared from the unprocessed product, but only 48.3 cents when canned vegetables were served, or in other words, *the canned vegetables cost only three-fourths as much as their raw product counterparts*. The five canned fruits in the study cost only two-thirds as much as equal servings of fresh fruit, with one serving of each of the five unprocessed fruits adding up to 43.8 cents as against 28.8 cents for the canned fruits. And what is more important, this cost study did not place a value on the homemaker's *time* in the kitchen saved by using the canned foods instead of the raw product equivalent!

Miss Rogers said also "I don't suppose there is anybody anywhere who thinks the food industry — or any other industry — is, like Caesar's wife, above reproach. But I do believe, as in so many instances, their magnificent contribution to the job of making America the best-fed nation in the world gets a bit lost now and then in the criticism of a few conditions." It was the small minority in the *consumerism* movement who created the recent disturbance. If there is any economic waste, is it not the huge expenditures which certainly must be incurred by government, by private consumer groups, and by industry conducting the ever-growing schedule of hearings on the subject?

Professor George Stigler, the noted University of Chicago economist, pointed out the consumers' best protector is the competition of a free market. In other words, consumers, retailers, processors, and farmers — everyone — would be much better off if they were freed from unwarranted government intervention which can only serve as an obstacle to otherwise healthy competition.

Consumers want variety, they want freedom to pick and choose. In a 1966 survey of 3,520 supermarket shoppers, the



Burgoyne Index, Inc., found that 82 percent of the shoppers did their buying in more than one supermarket.

Insofar as consumer satisfaction with canned foods is concerned, please note this observation by former Senator Maurine Neuberger, who is now Consultant on Consumer Relations to the Commissioner of the Food and Drug Administration. During the early hearings on the Hart Packaging Bill, she said, "The complaints that we here get and that Mrs. Peterson's office gets never seem to affect canned foods, vegetables, and fruits, as much as other products."

### **What About the Future?**

In the canning industry, which currently is comprised of approximately 2,000 plants and about 1,300 companies, it is evident that competition must certainly be active by sheer numbers of firms. We must keep this industry economically healthy if we are to meet projected food needs as indicated by population estimates issued by the Census Bureau. The U. S. population may increase from the present level of about 197 million to as high as 360 million in the year 2000 and 482 million in the year 2015.

In meeting these requirements of increased population, canners will be confronted by unrelenting increasing cost pressures. There is no prospect for reduced government spending nor for a relaxation in the demands for higher wage rates by organized labor. If these inflationary pressures persist, food processors will be forced to raise prices in order to recover increased costs. Nevertheless — and this is important — even if consumer prices rise, canned foods will continue to be one of the best values in the household food budget. Furthermore, food in general will continue to be a bargain, because increases in personal incomes will very likely continue to outpace increases in food prices, which means that the percentage of household disposable income going for food will very likely continue to decline.



To have a continually thriving canning industry, or any business for that matter, there must be assurance of sufficient profit to finance future expansion as well as a reasonable return to the owners or stockholders and the payment of labor and management on a fair and competitive basis. The public must not lose sight of the critical importance of this profit motive which has built America's splendid economic system.

With this assurance, the farmer-processor-distributor-retailer-consumer team can function efficiently and with mutual benefit. Basic economic principles will continue to operate, and the consumer will still be *king* or should we say *queen*. In a free country, where consumers are free to shop where they will, for the items of their own choosing, it is their dollars that cast the vote. This, after the facts are made known, should provide voting which will insure the kind of *consumerism* that will be compatible with the American economic system of free enterprise.

\* \* \* \*

For additional copies and for further information, write:

Public Relations Program  
National Cannery Association  
1133 - 20th Street, N.W.  
Washington, D. C. 20036

Or Call: Area Code (202) 338-2030

Price per copy 25 cents.

# UNIT TWO

164

ED 070688

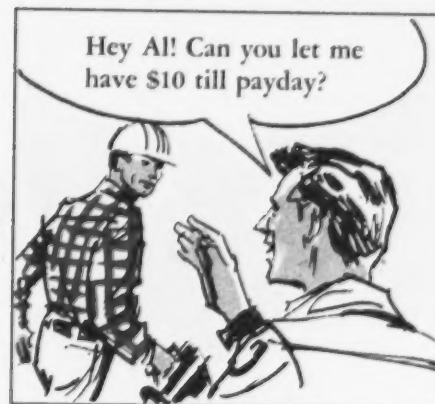


...When you borrow  
**money**  
you usually have to  
**pay rent**  
to use it...

165

When you borrow money you usually have to pay "RENT" to use it...

The rent is called "INTEREST" or "SERVICE CHARGE" or "CARRYING CHARGE" or "LOAN FEE"



When you borrow small amounts from a friend, you usually don't pay interest.



Borrowing money is like renting a house . . . the longer you keep it, the more you pay. The bigger the loan the more you pay.

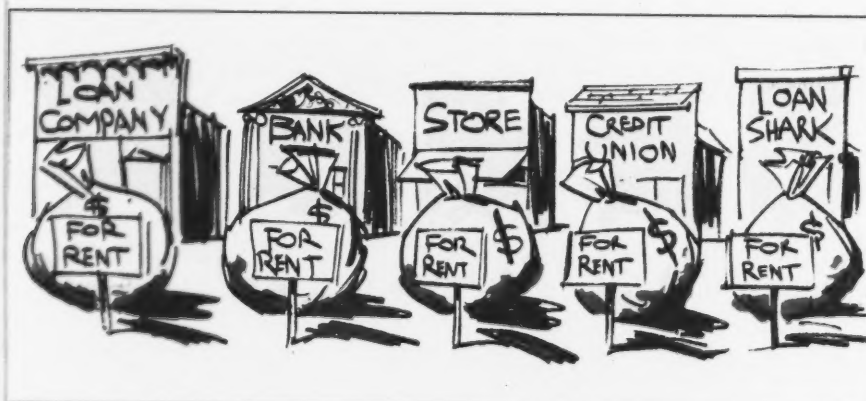


Two houses may look alike, but one landlord may ask for more rent than the other.



Some stores may let you "charge" things. If you pay in 30 days, you may not have to pay interest.

But... if you take more than 30 days to pay, most stores make you pay a service charge.



People who rent money ask for different interest, too.

**Credit Unions, Banks,  
Stores and Loan  
Companies may charge  
you from 12% to 42%  
TRUE ANNUAL INTEREST!**

**Loan Sharks make  
from 100%\* to  
200% interest...  
sometimes  
even more!**

\*100% Annual Interest means you pay \$100 extra to use \$100 for one year.

## ...Find out the "True Annual Interest!"

| WHEN THEY SAY YOU WILL PAY:                                | IT MEANS:  |
|------------------------------------------------------------|------------|
| 3/4% a month (on the unpaid balance) . . . . .             | 9% a year* |
| 6% a year (if it's added to your loan) . . . . .           | 11% "      |
| 1% a month (on the unpaid balance) . . . . .               | 12% "      |
| 6% a year (if it's subtracted from your loan) . . . . .    | 13% "      |
| 8% a year (added to your loan) . . . . .                   | 15%        |
| 8% a year (subtracted from your loan) . . . . .            | 17%        |
| 1 1/2% a month (on the unpaid balance) . . . . .           | 18%        |
| 10% a year (added to loan) . . . . .                       | 19%        |
| 5/6% a month (on total loan) . . . . .                     | 20%        |
| 1% a month (on total loan) . . . . .                       | 22%        |
| 2 1/2% a month (on the unpaid balance) . . . . .           | 30%        |
| \$6 a month on a \$100 loan, with 2 years to pay . . . . . | 42%        |
| \$1 a week on a \$50 loan, 2 years to pay . . . . .        | 107%       |
| \$1 a week on a \$25 loan, 2 years to pay . . . . .        | 313%       |
| \$1 a week on a \$25 loan, 3 years to pay . . . . .        | 347%       |

**YOU  
SHOULD  
LOOK  
AROUND**

**YOU'RE  
PAYING  
TOO  
MUCH!**

\*True Annual Interest—0% means you pay \$0 for each \$100 you use for a year.



ED 070688

MR. AND MRS. GREEN SOLVE

# THE PRICE MYSTERY!

The repairman can't fix our washing machine . . .  
We'll have to buy a new one!



I hate to buy anything now . . . but we may be able to buy on time!

I like this washer, but that's more than I want to pay . . .  
Let's try some other store!



This store wants more money for the same washer . . .  
what's the real price?

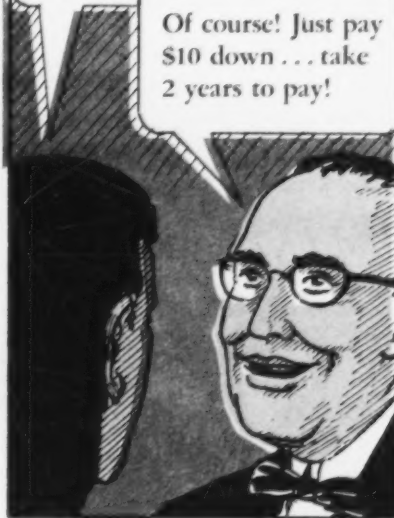


This is the best price . . . and  
this store gives good service!



Can I pay for it so much a  
month?

Of course! Just pay  
\$10 down . . . take  
2 years to pay!



What's the total cost?

Well, let's see . . . that  
comes to \$180.60!



That's \$21.60 more than  
the cash price . . . why is it  
so much more?



Because you're only paying us  
\$10 now. We charge you to  
borrow the rest of the money!

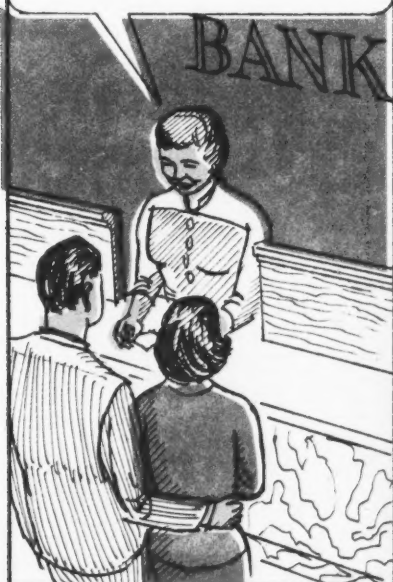
Your cash price is low . . .  
we want to shop now for the  
lowest borrowing cost.



You can borrow from us!  
Payments will be \$8.25. It will  
cost you \$48.00\* to borrow!



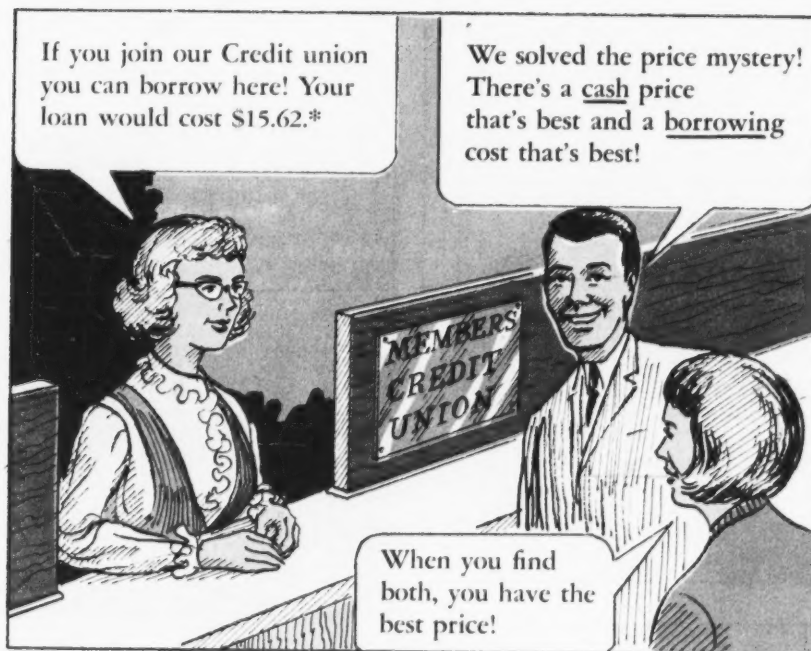
You have a steady job. We'll  
be glad to lend you the money.  
The borrowing cost is \$24.00!\*



Will we ever find  
the real price? We get  
different answers!



\*All these loans are \$149, \$10 down, 2 years to pay



\*All these loans are \$149, \$10 down, 2 years to pay!



# UNIT THREE

173



ED 070688

# FIGHT BACK!

DON'T LET  
THE GYP  
ARTISTS GET  
AWAY WITH IT!



No one likes the gyp artist. . .  
Everyone loses when he comes to town. . .  
the Honest businessman loses every time  
that you lose. . .

HERE'S WHAT YOU CAN DO . . .



YOU CAN keep from being cheated by the gyp artist ... one way is to shop in more than one place for anything you buy.



SPEAK UP when you think you've been gypped... Don't just chalk it up to experience...make yourself heard.



PROTEST FIRST to the seller (if he's still around)...perhaps it was just a mistake. He may want to make a fair settlement.



IF SELLER won't do anything, call Better Business Bureau. Write or phone stations or news papers that carry his advertising.



SEE YOUR District Attorney or Attorney General's office... it's their job to go after people who break laws.



IF YOU BUY something that's been sent from one state to another, the Federal Trade Commission (FTC) may be able to act.



WRITE TO Federal Trade Commission, Washington, D.C. Give facts (proof of fraud or copy of ad) ...just being mad doesn't help.



FTC FIGHTS only those schemes that hurt the public...not private disagreements. FTC can stop important frauds.



All these agencies act to protect the public -- to stop fraud -- it's not their job to help you get your money back. But sometimes their activity may help you, too.

### *5 things You can do:*

- 1) Shop around before you buy.
- 2) Complain first to the seller.
- 3) Report false advertising to the station or newspaper that carries it.
- 4) Report gyp artists to the Better Business Bureau and to your District Attorney.
- 5) Write the facts to the Federal Trade Commission.

ED 070688

# WHO IS KNOCKING at your DOOR?



"Hello! I'm here to  
make a survey...I don't  
have a thing to sell!"



"Why don't we sit down  
and be comfortable?"



"By the way...have you ever  
seen this beautiful set of books?"



"You and your children  
really can't afford to  
be without one!"



"It's very nice, but we  
can't buy anything now. ~  
We have too many  
payments already."



"You'd be surprised at  
how little it costs! Your  
neighbor, Mrs. Jones,  
bought a set!"



"Just sign here on the dotted line. I'll fill in the rest of the details later!"



"I won't sign anything until I know all of the facts. I'd like to talk it over with my husband."



"Do we really need it? The library is free... It has lots of books for us to use."



"Besides, I never heard of this book before... How do we know if it's any good?"





**Remember - Don't be afraid to say  
NO!**

People may try to sell you vacuum  
cleaners, pots and pans, appliances,  
home repairs, home-study courses,  
baby pictures . . . but remember:  
**DON'T BE AFRAID TO SAY NO!**

ED 070688



**CREDITORS AND  
COLLECTION AGENCIES**

**CAN TAKE  
 $\frac{1}{2}$  OF YOUR  
WAGES!**

**UNLESS YOU  
STOP THEM  
IN TIME!**

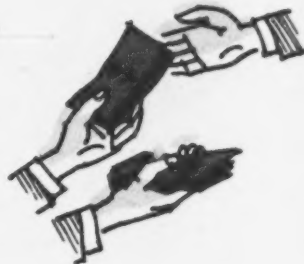
182

## Here's what THEY can do:

The law says your creditors can send you a notice that says your earnings will be "attached" in 8 days!



... After 8 days, if you haven't paid, they can make your employer hold back  $\frac{1}{2}$  of your pay!



## ...but here's what YOU can do!

**IF YOU ACT FAST** you can stop them from taking any of your wages...

- ① **IF** your debts were for luxuries, not necessities
- ② **IF** your debts weren't for work done for you by your employee

- ③ **IF** y  
you  
You  
she  
Fill



YOU must act QUICKLY! 184 MORE...

### AFTER you file your "Claim for Exemption"

- ▶ the creditor has 5 days to answer your "claim."
- ▶ if he doesn't ask for a court hearing, your wages are released after 5 days.
- ▶ if he does ask for a hearing, it must be held within 25 days of the garnishment. Then you must prove your "claim" is true.

**REMEMBER—** If you wait, you may be TOO LATE!

SUGGESTIONS FOR INVESTIGATING BEFORE INVESTING IN A  
POST-HIGH SCHOOL VOCATIONAL EDUCATIONAL PROGRAM

1. School Brochure or Catalogue. Obtain, study and compare descriptive material from a number of schools offering the course in which you are interested. Any reputable school will gladly furnish a brochure describing its courses, policies, charges, school calendar, entrance requirements, and related information. Do not rely on verbal information.
2. School Plant and Equipment. By all means, visit the classrooms where your instructional program is to be offered. Note the noise factor from adjoining classrooms and from outside influence such as industrial activities, airplanes and traffic. Observe the training equipment available. Is it up-to-date? Is there enough of it? Discount promises of better facilities and more and better equipment. There is no guarantee these will materialize in time to benefit you.
3. Instructional Staff. Inquire fully into the qualifications and teaching experience of the instructors who will handle your course. Meet and talk with them if possible. Trade training and experience are the basic requirements for a teacher's license. These alone are no guarantee of a personable and effective teacher.
4. Course Outlines and Teaching Aids. Insist on obtaining a written description of the course you are interested in, including a summary of content, time allotment for each unit of instruction, methods of instruction and texts and teaching aids to be used.
5. Accreditation. Determine if the school you are considering is accredited by a recognized regional or national accrediting body. Licensing by the Department of Education is not equivalent to accreditation and does not imply that the school is supervised, recommended, endorsed or approved by the Department. It is a permit to operate.



6. What a License Means. Licensing of a private school in the State of Hawaii means the facilities have passed inspection for safety and health factors; that the curriculum outline has been approved; that the minimum equipment needed to teach the course is provided; that the instructors are licensed as having the minimum training and experience deemed necessary; that acceptable character references are on file; and that fiscal integrity and responsibility have been established. But these in and of themselves do not guarantee a quality school program.
7. Registration Fee. Most schools charge a small registration fee to defray the costs of setting up student records and accounts. Under Rule 46 of the Department of Education, a school may charge up to \$10.00 which is not refundable.
8. Tuition. The tuition charge is used primarily to defray the costs of instruction including instructors' salaries, administrative costs, and charges for use of facilities and equipment. The rate of tuition varies considerably and should be carefully studied and compared. Particular attention should be given to the amount of advance payment required and financing charges for unpaid advances.
9. Other Charges. These vary considerably from school to school and for different courses within a school. In some cases, the tuition includes textbooks, instructional materials and machine rental. In other cases, there will be separate charges for various items. If a sizeable advance charge is quoted for textbooks, be sure to require a list of the books, names of publishers and the cost of individual items that you are paying for. Some schools make a financing charge if the full tuition is not paid in advance. In some cases, taxes are added to various items.
10. Refunds. All schools are required to make their refund policy known to prospective students in the

school's catalogue. The minimum refund of tuition, fees and other charges paid in advance must not vary more than 25% of the exact pro rata portion of tuition, fees and other charges that the length of the completed portion of the course bears to its total length. Be sure to investigate this and know in advance exactly what can be expected as a refund at any given time, in case you withdraw from the school.

11. Contracts. Before signing a contract, be sure to read all its provisions. Make certain that all oral promises or guarantees are clearly written into the contract. The contract should itemize all charges and conditions of payment. The contract should specify the length of the training course. Do not be rushed into signing a contract. Insist on the school's representative also signing the contract.
12. High-Pressure Sales. Don't be a victim of "high-pressure" salesmanship. Insist on sufficient time and adequate written information to permit careful evaluation of a school's offering. Is the course suited to your interest and needs? Do you have sufficient educational background to succeed in the course? Do the financial arrangements appear to be fair? Are you convinced the school is one in which you will be happy and of which you will be proud to be a graduate? These and many other questions should be resolved to your complete satisfaction before "signing on the dotted line."
13. Misleading Advertising. Beware of advertising that implies high level jobs at large salaries are available to those who take a course of training. Almost without exception the student must look forward to starting at a beginner's pay level and work his way up over a period of years to positions of responsibility and high pay.
14. Aptitude Tests. Do not consider as significant the score of an aptitude test administered by a salesman during a home visit. Aptitude tests made up by a school generally are not valid. Reliable

aptitude tests are available and will serve a useful purpose when properly administered and interpreted. Inquire as to the source of test material used and check it out with the state employment service before accepting the results as valid.

15. Job Placement. Beware of promises of job placement upon graduation. Legally, a school cannot make such a promise in Hawaii; however, clever advertising may give the impression that considerable responsibility is assumed by the school for placement. In some cases, this is true and in some it is not. Check with former students who are employed to find out how they got their jobs.
16. Check with Graduates and Employers. Ask for names of former students who have completed the course and for the names of employers of graduates of the course. Contact them and ask for a frank evaluation of the training course.
17. Judge a School on Its Merits. The quality of facilities and training of a national franchising operation may not be the same for all schools. You cannot always depend on "name" courses as a guarantee of quality. Likewise, "branch" or "affiliated" schools that try to impress with the size, age, or character of the parent operation in another state should be checked carefully to make sure the local unit has adequate facilities, training equipment and competent staff.
18. Check More Than One School Before Making a Decision. The differences in costs, course content, length of training period and other important factors will vary extensively. "Shop" around for the best.

\* \* \*

Accreditation and Private School Licensing Branch  
Office of Instructional Services  
Department of Education

1967 (Rev. 1969)

ED 070688

## The Poor Don't Have To Pay More

Low-income families do pay more than higher-income families. Sometimes they don't have to -- if they're very careful!

The poor usually buy from nearby "mom and pop stores." They pay more there than they would at larger stores in middle-income areas. Some storekeepers urge the poor to charge what they buy. They also urge customers to get more things on "easy terms" from other nearby stores.

Surveys report that some chain stores raise their prices in low-income areas of cities by nearly 3%. (One low-income area supermarket sold many items there for 5 or 10 cents more than in other stores of the same chain!) Another survey showed a co-op store in a low-income part of New York City sold food cheaper than other nearby markets. It pays to shop around.

Nearly every one of 500 families living in a New York public housing project owned one or more television sets. One family paid \$900 for a phonograph-television console. Residents often paid \$500 to furnish 2 rooms.

Most families bought these and other expensive things on credit. They didn't shop around for the merchandise. They didn't shop around for the loan. Some paid \$600 for furniture advertised at \$149: The "bait" ad got the family to the store. The low price got them to buy a poor quality bedroom set.

Then the salesman told them that the bed frame and springs would cost the family another \$100. Next he added credit and delivery charges. A salesman told an interviewer:

"I don't know how we do it. We advertise 3 rooms of furniture for \$149 and the customers swarm in. They end up buying a \$400 bedroom set for \$600. How easy it is to make these sales!"

The furniture or television the family bought may break down before it's paid for. When the family stops paying for these shoddy goods, the finance company takes them back. Or the merchant asks the employer to take the rest of the payments out of the family breadwinner's wages. The breadwinner may lose his job, because his boss doesn't like to handle "garnishees". One worker said:

"I bought a set of pots and pans from a door-to-door salesman. They were very poor quality. I wanted to give them back, but they wouldn't take them back. They started bothering me on every job I had. Now my boss takes \$6 weekly from my pay and sends it to them."

A salesman gives a person \$5 "credit" to buy a vacuum cleaner. But to get the \$5 the buyer signs a paper. The paper is an installment contract. So the buyer pays much more for the cleaner than it's worth.

Many low-income families buy pots, cosmetics, roofing or appliances from door-to-door peddlers. These families pay more than at a large department store or a discount house. A TV that cost \$99 in a middle-income store cost \$189 in a low-income area store.

FILMED FROM BEST AVAILABLE COPY

More than 60% of low-income families have debts. Less than 30% of them have even \$100 saved. Salesmen come the day a family gets its welfare check to get \$10 out of it to pay on the color TV.

You can stay out of trouble when you buy. You can do these things -- alone or with others:

1. Think hard before you buy anything. Ask how much it will cost you now and later. Ask yourself if it's a good buy.

Can you afford to buy it on credit?  
Can you save the money first, and buy it later for cash?

2. Buy from reputable merchants -- not from peddlers or places that offer you special "deals". Go to several stores. Compare price and quality of what you want to buy.
3. Shop around for credit. Do this carefully, as you did for the goods themselves. If you belong to a credit union, borrow there. Or join one if you can.
4. Tell others where you found "good buys". Ask your neighbors what dealers satisfied them in selling and repairing goods.
5. Organize shopping groups to compare prices at various stores. Protest as a group to merchants who charge high prices.
6. Work with your club, church, community center and neighbors to organize a credit union, buying club, consumer information center, or co-op store.



7. Report every fraud to the Legal Aid Society, Better Business Bureau, police department fraud detail, district attorney or state attorney general.

There are, in most states, special government agencies that can help you. Go to them, too, if the fraud concerns real estate, insurance, weights and measures, or deceptive advertising.

8. Go to court if a merchant or finance company sues you. Legal Aid Society or the local bar association reference panel can help you get a lawyer.

If your case is strong, you may not have to fight it. The merchant may stop his suit against you if he's cheated you, or if he knows you have a lawyer. It may cost him too much to fight.

---

CONSUMER COUNSELLING SERIES    No. 13

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A service of

**BAND**— a non-profit foundation

... dedicated to consumer education and organization

ED 070688

# IF YOU ARE BEING by one of these FRAUDS

SQUE

FRAU

Repair

swindles

Medical quackery

Shady used car

**EZED**

**DS**

**Book & magazine subscription racket**

**Tricky door-to-door salesman**

**False "Free Gift" offers**

**deals**

Deceptive advertising

False "Sales"

contact your  
**STATE OFFICE of  
CONSUMER  
PROTECTION**

P.O. Box 3767 Honolulu, Hawaii 96811

**Phone 531-5995**

An Agency of the Office of GOVERNOR JOHN A. BURNS

3 of  
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196

...established to protect you and your family.

ED 070688

**TAK**



197

**ARE "FAST BUCK" SH  
ING A BITE OUT OF YOU**

**if so...contact your**

**STATE OFFI  
CONSUME**

**P.O. Box 3767 Ho**

**Phone**

**An Agency of the**





**ARKS  
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**CE of  
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***lulu, Hawaii 96811***

**e 531-5995**

***Office of GOVERNOR JOHN A. BURNS***

*lished to protect you and your family.*

ED 070688

A NOT-SO-COMIC Book  
*Presents*

1

# THE "FREE GIFT"

CONGRATULATIONS!  
YOUR NAME HAS  
BEEN DRAWN...



OR  
How To **LOSE**  
MONEY WITHOUT  
EVEN  
TRYING!

105 200

THE  
FREE  
GIFT

IS USUALLY

NOT FREE

AND

NOT A GIFT

WARNING

THIS'LL  
GRAB 'EM!

WATCH OUT FOR THESE WORDS

"THIS IS  
YOUR LUCKY DAY."

"CONGRATULATIONS,  
YOU HAVE JUST WON..."

"THIS IS AN INTRODUCTORY  
OFFER AND YOUR  
NAME HAS BEEN  
CHOSEN ~ ~ ~"

"YOU ARE  
A WINNER!"

"JACKPOT  
WINNER"

"BONANZA"



COME IN! COME IN  
FOR YOUR FREE Gift!





**T**HERE ARE MANY WAYS TO MAKE  
YOU **PAY** A LOT OF MONEY  
FOR A **FREE GIFT**

SUCH AS SUBSCRIBING  
TO SERVICE POLICIES,  
BUYING EXTRA FILM,  
RECORD ALBUMS.  
KEEPING THAT  
SET OF ENCYCLOPEDIAS  
"UP TO DATE", PICTURE PLANS TO  
GO WITH THAT **FREE** PHOTO ALBUM

IF YOU **PAY** (BY SIGNING  
UP FOR PAYMENTS) IT IS

**NOT FREE...**

**IS IT?**



WATCH OUT FOR THESE PHONY SALES  
PITCHES!

# ENCYCLOPEDIAS

"THIS IS A FREE +  
INTRODUCTORY OFFER"

Bill for  
\$389.



**WARNING:** YOU MAY PAY UP TO \$350<sup>00</sup> OR  
MORE FOR A "FREE" OR "INTRODUCTORY" SET!

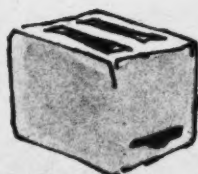
★ ★ ★ ★ ★ ★ ★ ★ ★ ★  
**"YOU'RE A WINNER!"**

"YOU HAVE BEEN CHOSEN  
TO TELL US WHAT THE  
PEOPLE OF HAWAII WILL BUY."

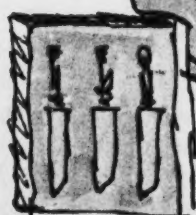
BECAUSE YOU ARE  
A WINNER...WE CAN  
GIVE ALL YOUR CHOICES  
TO YOU FOR ONLY  
\$525.95 ~ A REAL  
BARGAIN!



BLENDER



TOASTER



CUTLERY 204



AND A BIG  
FAT PROFIT  
FOR ME!





**S**OMETIMES PEOPLE BUY SOMETHING  
AND **THEN** SHOP AROUND TO SEE IF THEY GOT GYPED!

**SHOP AROUND**  
WITH REPUTABLE MERCHANTS  
**COMPARE** SERVICE, GUARANTEES,  
QUALITY, PRICE...  
**BEFORE** YOU SIGN AN  
AGREEMENT TO PAY!

WATCH FOR SALES BY  
REPUTABLE DEALERS!



USE YOUR MONEY WISELY - VISIT MORE  
THAN ONE STORE - IT'S FUN...IT'S FREE!

**IF YOU HAVE A QUESTION...**

**TAKE TIME TO CALL**

**THE  
OFFICE OF CONSUMER PROTECTION  
STATE OF HAWAII - P.O. Box 3767  
HONOLULU, HAWAII - 96811**

**TELEPHONE 531-5995**

**(LOCATED AT 1010 RICHARDS STREET)**

**MILITARY PERSONNEL:**

**CONTACT YOUR LEGAL ASSISTANCE OFFICER**

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**PREPARED AND DISTRIBUTED**

**By THE**

**OFFICE OF CONSUMER PROTECTION**

**AND THE**

**OFFICE OF ECONOMIC OPPORTUNITY - STATE OF HAWAII**

# FIND OUT THE TRUE ANNUAL INTEREST!!

## WHEN THEY SAY YOU WILL PAY:

## IT MEANS:

|                                                       |           |          |
|-------------------------------------------------------|-----------|----------|
| $\frac{3}{4}\%$ a month (on the unpaid balance) ..... | 9% a year |          |
| 6% a year (if it's added to your loan) .....          | 11%       | *        |
| 1% a month (on the unpaid balance) .....              | 12%       | *        |
| 6% a year (if it's subtracted from your loan) .....   | 13%       | *        |
|                                                       |           |          |
| 8% a year (added to your loan) .....                  | 15%       |          |
| 8% a year (subtracted from your loan) .....           | 17%       |          |
| 1½% a month (on the unpaid balance) .....             | 18%       | YOU      |
| 10% a year (added to loan) .....                      | 19%       | SHOULD   |
| 5/6% a month (on total loan) .....                    | 20%       | LOOK     |
| 1% a month (on total loan) .....                      | 22%       | AROUND.  |
|                                                       |           |          |
| 2½% a month (on the unpaid balance) .....             | 30%       |          |
| \$6 a month on a \$100 loan, with 2 years to pay ..   | 42%       | YOU'RE   |
| \$1 a week on a \$50 loan, with 2 years to pay ...    | 107%      | PAYING   |
| \$1 a week on a \$25 loan, with 2 years to pay ...    | 313%      | TOO      |
| \$1 a week on a \$25 loan, with 3 years to pay ...    | 347%      | MUCH!!!! |

*\*TRUE ANNUAL INTEREST - 9% means you pay \$9.00 for each \$100 you use a year.*

\*\*\*

The above information taken from Money for Rent, published by:  
**LEGAL AID SOCIETY OF HAWAII**  
 Suite 411, Bethel - Pauahi Building 1149 Bethel Street  
 Honolulu, Hawaii 96813 Tele. 536-4302



NO. 1  
REVISED EDITION

A  
NOT-SO  
COMIC  
BOOK

ED 070688

# FREE GIFT



or  
↓

**HOW TO LOSE MONEY  
WITHOUT TRYING!**

# WARNING

WATCH OUT  
FOR THESE  
WORDS:

"THIS IS YOUR  
LUCKY DAY!"

"CONGRATULATIONS!  
YOU HAVE JUST WON.."

"THIS IS AN INTRODUCTORY OFFER  
AND YOUR NAME HAS BEEN CHOSEN—"

"JACKPOT  
WINNER"

"YOU ARE A  
WINNER!"

"BONANZA!"

"IF YOU CAN ANSWER THIS QUESTION  
YOU WILL WIN ---"

THE  
FREE GIFT IS USUALLY { NOT FREE  
NOT A GIFT



CONGRATULATIONS  
YOU HAVE JUST WON A  
**FREE GIFT!**  
COME TO *win door prize*  
AND PICK IT UP **FREE**

COME ON IN AND GET  
YOUR - **FREE GIFT!**



THERE ARE MANY WAYS  
TO MAKE YOU  
**PAY** A LOT OF \$  
FOR A  
**"FREE GIFT"**

PICTURES TO GO WITH THAT "FREE ALBUM"  
SUBSCRIBING TO SERVICE POLICIES  
BUYING EXTRA FILM & RECORD ALBUMS  
KEEPING THAT SET OF ENCYCLOPEDIAS "UP TO DATE"

IF YOU **PAY** (BY SIGNING UP  
FOR PAYMENTS)  
**IT IS NOT FREE IS IT ?**



## IMPORTANT

IF YOU GET ENTICED INTO A PLACE OF BUSINESS WITH A FREE GIFT OFFER AND SIGN AN INSTALLMENT CONTRACT AND YOU CHANGE YOUR MIND, YOU HAVE 3 DAYS TO CANCEL THIS CONTRACT.

THIS MUST BE DONE BY SENDING A CERTIFIED LETTER OF CANCELLATION, REPLY REQUESTED, SENT FROM THE POST OFFICE AND MUST BE POST-MARKED BY MIDNIGHT OF THE 3rd DAY FOLLOWING THE SIGNING OF THE CONTRACT.

ACCORDING TO STATE LAW-THE SAME CANCELLATION RIGHTS APPLY WHEN YOU BUY SOMETHING FROM A DOOR-TO-DOOR SALESMAN.

**D10**

FOR MORE INFORMATION CONTACT YOUR OFFICE OF CONSUMER PROTECTION.

# WATCH OUT

FOR THESE

# PHONY SALES PITCHES

THIS SET OF ENCYCLOPEDIAS IS A **FREE** INTRODUCTORY OFFER!



## ★ WARNING!!

YOU MAY PAY UP TO \$500<sup>00</sup> OR MORE FOR A "FREE" OR INTRODUCTORY SET!

BILL \$621<sup>00</sup>



# AND

YOU'RE A **WINNER!**  
YOU HAVE BEEN CHOSEN TO TELL US  
WHAT THE **PEOPLE OF HAWAII**  
WILL BUY!



BECAUSE YOU ARE A **WINNER...** WE CAN  
GIVE ALL YOUR CHOICES  
FOR ONLY \$525<sup>95</sup>.  
A REAL BARGAIN!!



-AND A BIG FAT PROFIT FOR ME!



# HARRY NUGE & the FREE STEREO

A PRETTY GRIM UN-FAIRY-TALE

HI DEAR! HERE'S A BRAND  
NEW RECORD FOR OUR  
FREE STEREO.

OH, WHAT IS IT?

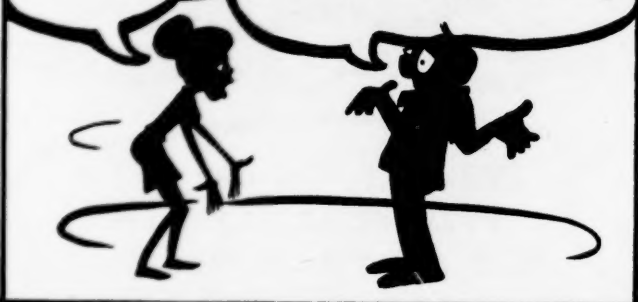


IT'S, UM-"SOUNDS OF THE NIGHT"  
BY LAMONT CRANSTON.



WHY DID YOU  
BUY THAT?

IT'S ONE OF FOUR  
BARGAIN RECORDS.  
IT WAS ALL THEY HAD!



MAYBE WE SHOULD HAVE READ OUR  
CONTRACT.. WE'LL HAVE TO PAY THE  
FINANCE CO. EVERY WEEK FOR A  
YEAR WHETHER WE  
TAKE A RECORD OR  
NOT!



BY THE WAY, THE STEREO IS BROKEN &  
THE WARRANTY (IF THERE IS ONE) IS NO  
GOOD, BECAUSE THE COMPANY  
HAS GONE BANKRUPT!



WE'RE ACTUALLY PAYING MORE FOR  
THIS MACHINE THAN WE WOULD HAVE  
FOR A BETTER QUALITY ONE OF OUR  
CHOICE FROM A REPUTABLE DEALER!





# SHOP AROUND

WITH REPUTABLE MERCHANTS

## COMPARE

SERVICE  
GUARANTEES  
QUALITY  
PRICE  
INTEREST CHARGES

## BEFORE

YOU  
SIGN AN  
AGREEMENT  
TO  
**PAY**

WATCH FOR SALES BY  
REPUTABLE DEALERS



SHOP  
FOR THE  
**BEST**  
INTEREST  
RATES  
TOO

VISIT MORE  
THAN  
ONE STORE

IT'S  
**FUN**

IT'S  
**FREE**



**IF YOU HAVE  
A QUESTION,  
CALL .....**

**the OFFICE of  
CONSUMER PROTECTION  
STATE of HAWAII  
P.O. BOX 3767**

**telephone 531-5995  
250 SOUTH KING ST.**

**MILITARY PERSONNEL:  
CONTACT YOUR LEGAL ASSISTANCE OFFICER**

CUT OUT AND TAPE IN PHONE BOOK



# UNIT FOUR

217

ED 070688



Do you know what  
you promise to do  
when you sign a contract ?

you may be very  
surprised if you don't!

When you sign a contract to make  
weekly or monthly payments,  
most of the time

## **YOU PROMISE:**

①

To pay the full cash  
price plus a borrowing  
charge (interest)!



②

To pay in full, even if  
what you buy is no  
good, or breaks down  
or wears out!





③

To pay even if they  
take back what  
you buy . . . you may  
promise to pay extra  
if they take it back!



④

To pay all the rest  
of the money at once  
if you are late  
with one payment!



⑤

To pay for the lawyers  
who sue you if  
you can't or won't  
make payments!

what can you do?



- ① Read before you sign!  
If you don't understand  
what it says, don't sign!



- ② Have someone you trust  
read it and explain it!  
Take it home to read.



- ③ Don't let anyone rush you!  
Take your time. You  
may be sorry if you rush!



- ④ Buy from someone who  
keeps his promises . . . don't  
make promises you can't keep!



- ⑤ Ask the salesman to put  
his promises in writing, too,  
before you sign!



ED 070688

## HOW THE FDA WORKS FOR YOU

1897, The Tea Importation Act was passed, providing for inspection of all tea entering U.S. ports. 1906, The original Food and Drugs Act passed Congress and was signed by President Theodore Roosevelt. 1912, The Sherley Amendment prohibited labeling medicines with false and fraudulent therapeutic claims. 1923, The Filled Milk Act prohibited interstate traffic in milk or cream containing any fat other than milk fat. 1927, A separate law enforcement agency was formed, first known as The Food, Drug, and Insecticide Administration. 1938, The Federal Food, Drug, and Cosmetic Act was enacted. 1945, The FDC Act was amended to require certification of the safety and efficacy of penicillin. 1951, The Supreme Court ruled that a standardized food which does not meet its standard of identity cannot be sold legally unless it is marked "imitation." 1954, The Miller Pesticides Amendment streamlined procedures for setting safety limits for pesticidal residues on raw agricultural commodities and greatly strengthened consumer protection. 1956, The 50th anniversary year of tribute and rededication on the part of the Government and industry to the cause of effective food and drug protection. 1960, The Federal Hazardous Substances Labeling Act was passed to require prominent warning labeling on hazardous household chemicals. 1965, Drug Abuse Control Amendments were enacted to deal with problems caused by abuse of three groups of dangerous drugs. 1966, The Fair Packaging and Labeling Act was enacted to require that consumer products in interstate commerce be honestly and informatively labeled. 1967, The St. Louis District converted into a national center for drug analysis to study intensively the Nation's drug supply. 1969, Reports on oral contraceptives denote current vital statistics on the efficacy of the drugs.

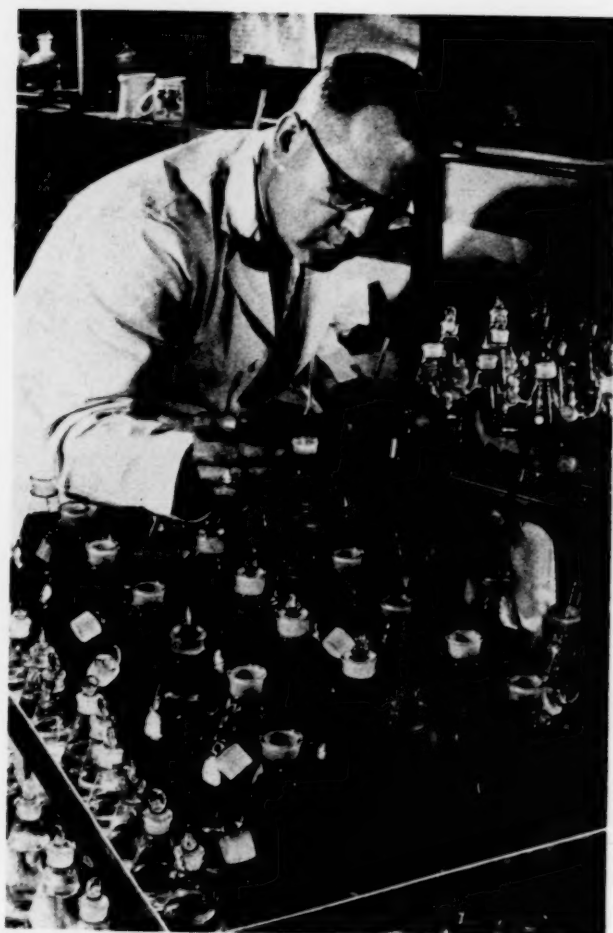


**FDA's MISSION:**

The Food and Drug Administration protects the health of American consumers by insuring that: foods are safe, pure, and wholesome; drugs and therapeutic devices are safe and effective; cosmetics are harmless; and that all these products are honestly and informatively labeled and packaged. The Administration is also empowered to see that: dangerous household products carry adequate warnings for safe use and are properly labeled; counterfeiting of drugs is stopped; and that hazards incident to the use of various types of consumer products are reduced.

FDA administers the Nation's basic food and drug law—the Federal Food, Drug, and Cosmetic Act—and also the Federal Hazardous Substances Act, the Tea Importation Act, the Filled Milk Act, and the Import Milk Act. FDA also enforces those parts of the Federal Caustic Poisons Act and the Fair Packaging and Labeling Act which apply to foods, drugs, and other products within FDA jurisdiction.





**FDA's ORGANIZATION:**

The Commissioner of Food and Drugs heads an agency of almost 4,500 men and women—scientists, physicians, inspectors, technicians, and administrative, clerical, and other support personnel. They work in offices and laboratories at Headquarters in metropolitan Washington, D.C., and in District Offices located in 17 major cities throughout the country.

FDA has four major functional areas:

**BUREAU OF DRUGS**—Carries on administrative, scientific and enforcement activities relating to drugs and therapeutic devices. Monitors clinical investigations of new drugs for human use, evaluates the safety and effectiveness of new drugs offered for marketing and maintains surveillance over drugs now on the market. Carries on advisory and educational activities to promote compliance with the law and provides support and guidance in legal actions initiated by FDA District offices.

**BUREAU OF FOODS AND PESTICIDES**—Responsible for administrative, scientific, advisory and enforcement activities to insure the purity, safety and wholesomeness of foods, and compliance with food standards. Establishes and enforces safe tolerances for pesticide residues in foods. Promotes sanitation in public eating places and interstate travel facilities.

**BUREAU OF VETERINARY MEDICINE**—Tests products and evaluates for safety and effectiveness new animal drugs and medicated feeds. Carries on advisory, scientific and enforcement activities to support programs in the veterinary drug field.

**OFFICE OF PRODUCT SAFETY**—Administers the Federal Hazardous Substances Act to insure safety and proper labeling of products used around the home and combats accidental poisoning through a Poison Control Program.

FDA also maintains a:

National Center for Drug Analysis in St. Louis, Mo., a Microbiological Analysis Center in Minneapolis, Minn., and a National Center for Antibiotic and Insulin Analysis in Washington, D.C., in addition to more than 90 resident inspector stations.



#### **FDA's WORK: FOOD**

Clean, wholesome food for the entire Nation is a major concern of FDA. The Agency periodically inspects processing and storage plants to insure that they are sanitary. FDA Inspectors also check the wholesomeness of ingredients and finished food products, and the legality of the packages and labels.

FDA is active in the prevention of food-borne disease. Because so much of the Nation's foods originate in the comparatively few "kitchens" of the major manufacturers, disease carried by a single contaminated product could affect many persons. Whenever contamination by bacteria, such as Salmonella, is discovered, FDA works to locate and eliminate the source in addition to removing the contaminated food from the marketplace.

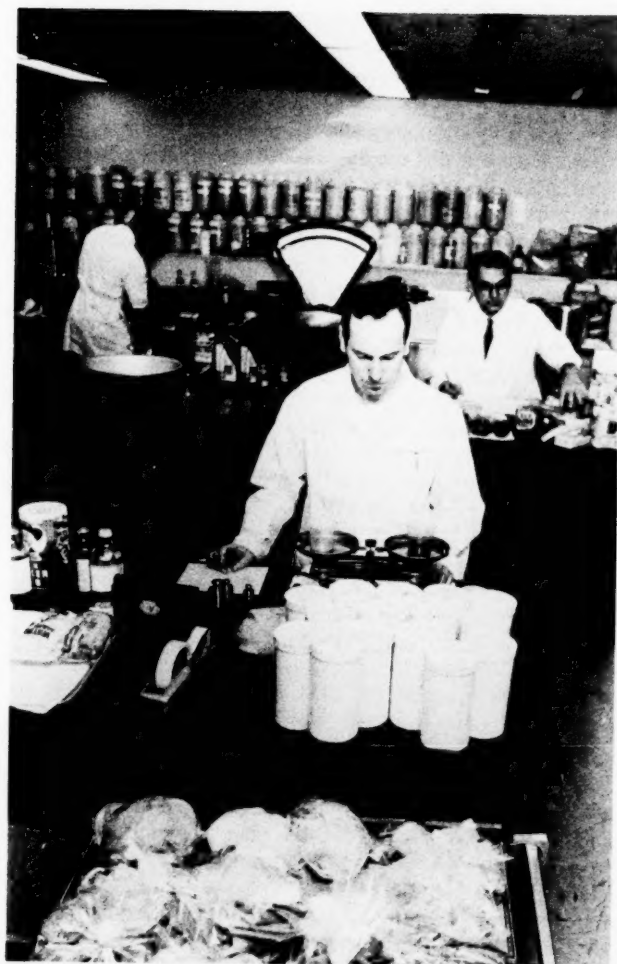
The Agency carries on cooperative programs with State and local health authorities to insure safe milk supplies and that shellfish are harvested from unpolluted waters. It also promotes sanitary practices in public eating places and has an inspection service to assure safe food, water, and good sanitary facilities for travelers on trains, planes, ships, busses, and the interstate highways.

FDA is also responsible for establishing safe levels for use of chemical additives—such as preservatives, artificial flavors, and colors—and safe tolerances for residues of pesticides in foods.

FDA establishes standards for classes of foods and all such products must then meet the minimum requirements set in each standard. Some common standardized foods are catsup, mayonnaise, and oleomargarine.

Foods for special dietary uses—low sodium (salt) diets, diets of diabetics, calorie-restricted diets, and infant foods are examples—get particular attention from FDA, to assure that the special properties they claim are, in fact, present and that misleading health claims are not made.

Foods must be honestly and informatively labeled; ingredients must be listed (except for standardized foods in which only added optional ingredients must be listed), and the net weight must be prominently stated to facilitate value comparisons. If a food is mislabeled, adulterated, processed or held in an insanitary establishment, or is otherwise in violation of the law, the FDA may take legal steps to remove it from the market.





### **FDA's WORK: DRUGS**

The safety and effectiveness of drugs—both prescription and over-the-counter products—are FDA's concern.

FDA carefully monitors the clinical tests of new drugs before they are put on the market. Drug manufacturers must provide adequate evidence that new drugs are safe and effective for their intended uses before they can be sold. After a drug is placed on the market, the manufacturer must report to FDA any unexpected side effects; FDA itself collects all other reports of experience with the drug.

FDA inspectors investigate drug plants to insure that the ingredients are pure and that the facilities and controls comply with good manufacturing practice regulations. FDA physicians review the labeling and advertising of prescription drugs to make sure that the information given is a balanced presentation of the usefulness and the limitations of the drug. FDA scientists test all batches of insulin and antibiotics for human use to certify their purity and potency before these drugs can be marketed. Other drugs on the market are sampled and tested to assure that they conform to quality standards. If a drug is ineffective or unsafe, mislabeled or contaminated, or if its claims are false or misleading, FDA may take court action to remove the drug from the market.

### **FDA's WORK: THERAPEUTIC DEVICES**

The law requires that medical devices must be safe and effective when used as directed. Manufacturers and promoters of these devices need not prove the worth of their products to the FDA before offering them to the general public. If, however, they sell devices which are harmful, or which will not perform as claimed, they may be criminally prosecuted and their products may be seized by the Government.

The American public has often been victimized by gadgets and machines which were said to cure almost every disease known to man, and some which claimed not only to treat and cure, but also to diagnose the illness. Over the years, FDA has put innumerable medical quacks out of business. The agency is continuing to ferret out frauds.

But FDA is now giving greater attention as well to the new, useful devices which are being introduced into general medical practice. Scientific discoveries have made pacemakers, artificial kidneys, and iron lungs common tools of health care, and the prospect of future developments in medical engineering excites the imagination. As these machines are mass-produced, the public will require assurances that they are of uniformly high quality.



**FDA's WORK: VETERINARY MEDICINE**

The legal requirement that veterinary drugs, devices, and medicated feeds be safe and effective meets two important goals: animal health and the safety and wholesomeness of food derived from treated animals. Manufacturers of new veterinary drugs and of medicated feeds must submit scientific evidence of safety and efficacy to FDA before they market their products. The regulation of devices used in veterinary medicine is the same as for other medical devices.

The FDA maintains surveillance over these veterinary products, giving particular attention to residues of drugs found in tissues of slaughtered animals. Food derived from these animals cannot be marketed if the drug residue might transfer resistance or in any other way harm humans.

**FDA's WORK: COSMETICS**

Judging by the billions of dollars spent each year on cosmetics, Americans want to look young and beautiful. They buy cosmetics in the hope that the products will enhance their appearance, but with reasonable certainty that the products will not harm them. Cosmetics must be safe, and any product which is not safe when used as directed by the average consumer may be seized by the Government.

Some products offered as cosmetics suggest that they will improve health or change the body or a function of the body. Such products are classified as drugs under Federal law, and they must be effective as well as safe. Thus, many so-called "hair restorers" or "wrinkle removers" have been removed from the market.

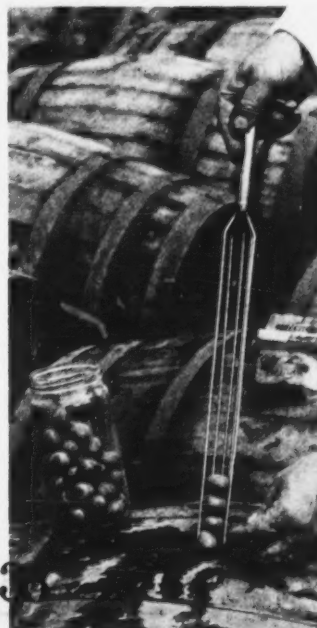
The coloring ingredients of cosmetics must be proved by the manufacturer and certified by the FDA to be safe for use. FDA scientists test these and many other cosmetic ingredients on animals to assure that they are not toxic to humans.



### **FDA's WORK: IMPORTS**

Foods, drugs, cosmetics, and medical devices manufactured abroad for import into the United States must meet the same standards as domestic products. FDA inspectors and scientists check samples of imports; shipments which do not comply with U.S. law are denied entry into the country.

Under the Tea Importation Act, a panel of experts drawn from industry and headed by FDA's tea-taster meets annually to set tea standards. Standards vary from year to year as the quality of the crop varies, but all tea shipped to the United States must meet the standards before importation is allowed.







### **FDA's WORK: HOUSEHOLD CHEMICALS AND PRODUCT SAFETY**

The Federal Hazardous Substances Act was enacted to protect American consumers, and especially children, from accidents involving household chemicals. It requires that all potentially dangerous substances intended or suitable for household use be conspicuously labeled to warn the user of the danger. The label must also provide safety and first aid information and this warning: "Keep Out of the Reach of Children." Products covered by the law include detergents and cleansers, rust and stain removers, drain and oven cleaners, waxes, polishes, bleaches, and paint thinners. If any product covered by the law does not carry the required information on its label, the Government may seize it.

FDA combats accidental poisonings by providing a clearinghouse for a national network of voluntary poison control centers where treatment information and toxicity statistics are kept.

There are many other household hazards besides poisons and these too are an FDA concern. FDA reduces the injury hazards of consumer products, equipment, and appliances through studies, investigations, and recommendations.





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**BOSTON** 585 Commercial Street  
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FDA PUBLICATION NO. 1 (June 1970)  
U.S. DEPARTMENT OF HEALTH, EDUCATION, AND  
WELFARE  
Public Health Service / Food and Drug Administration  
5600 Fishers Lane, Rockville, Maryland 20852

# CONSUMER EDUCATION FORUM

AMERICAN  
COUNCIL ON  
CONSUMER  
INTERESTS



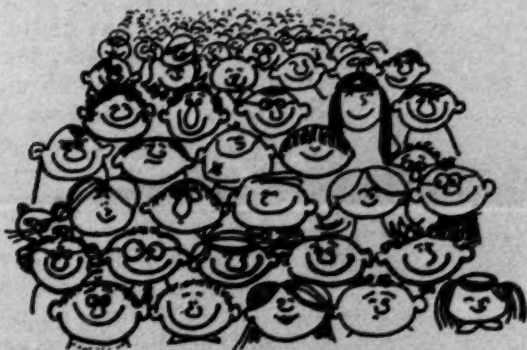
Volume I, Number 3

Fall 1970

## SURVEY OF STUDENT PROBLEMS -- FIRST STEP IN CONSUMER EDUCATION COURSE

"The first session in a consumer education class might well be a survey to find out what the students want to know, need to know, and what their consumer problems are." This suggestion comes from Stewart Lee, Consultant to the President's Committee on Consumer Interests and Professor of Economics at Geneva College, Beaver Falls, Pennsylvania.

Dr. Lee recently conducted such a survey at the Beaver Falls Junior High School. About 100 junior high school students -- 7th, 8th, and 9th graders -- in home economics and shop classes answered the questionnaire. Answers came from both boys and girls.



Here are the questions Dr. Lee asked:

\* List twenty items which you have bought during this school year. (Don't list a specific item like "a coke" but list general areas like "snacks, records, books, shirts, socks, tickets, etc.").

\* What products have you bought which you would like to have known more about before you bought them? What type of information would you have liked to have had?

(Continued on page 3)

## "HOMES ON THE GO": REPORT OF PROGRAM FEATURING MOBILE HOMES

Margery Kabot, Extension Home Economist, Sullivan County, New York, recently organized a successful program called "Today's Housing: Mobile Homes." Co-sponsor of the program was the local gas and electric company. Here's what the program included:

- \* information and slides on modular housing from the Department of Design and Environmental Analysis, Cornell University;
- \* a talk by a mobile home dealer on site selection;
- \* a film from a national mobile home company on mobile home construction;
- \* a talk by Mrs. Kabot on liveability and space requirements in mobile home selection;
- \* a talk by a representative of the gas and electric company on mobile home costs.

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## CONSUMER EDUCATION TEACHING AIDS

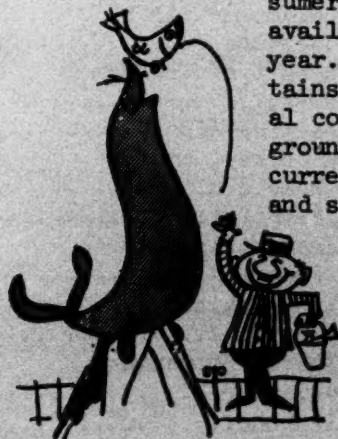
\* Teaching Aids in Consumer Economics 1970-1971. This is a publication of unit outlines on consumer purchasing; purchasing food; clothing, furniture, and appliances; purchasing and maintaining an automobile; housing; consumer credit; money management; fraud, quackery, and deceptions; banking and savings; investments; life insurance; security programs, including social security, medicare, and medicaid; and consumer law.

Each unit outline includes sections on concepts and understandings, suggested vocabulary, activities and extensive bibliography. Prepared to correlate with the New York State Education Department's 12th grade guide to consumer education, the publication is available for \$1 per copy from: New York State Council on Economic Education, State University of New York at Albany, 135 Western Avenue, Albany, New York 12203.

\* Resource Kit for Teaching Consumer Education. This resource kit contains a teaching guide and five packets on earning, spending, borrowing, saving, and budgeting. Each packet contains a variety of teaching tools -- activity books for independent study, role playing ideas, games, forms, cartoons, questionnaire, wall chart, transparencies, and so on. High emphasis is placed on student involvement in the kit. The kit costs \$22.50 and is available from Changing Times Education Service, 1729 H Street, N.W., Washington, D.C. 20006. The kit was prepared in cooperation with the Council for Family Financial Education, Silver Springs, Maryland.

\* The package subscription to Consumer Reports and Teaching Tools for Consumer Education (the monthly newsletter for consumer educators) is now available for \$11.50 per year. The newsletter contains discussion of general consumer items, background information on current consumer issues, and simple experiments

for classroom use. The package is available from Consumers Union, 256 Washington St., Mt. Vernon, New York 10050.



## CONSUMER EDUCATION FORUM

American Council on Consumer Interests  
238 Stanley Hall, University of Missouri  
Columbia, Missouri 65201

Vol. I, No. 3

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ACCI is a non-partisan, non-profit organization serving professionals through conferences, newsletters, and the JOURNAL OF CONSUMER AFFAIRS. Membership \$6/year.

ROCK BAND, LOCAL DISC JOCKEY, AND  
CONSUMER EDUCATION MAKE A HIT!

Ever hear of a consumer education assembly where the students wouldn't leave at the end of the program? It really happened at Long Beach High School, Long Island, New York. Mrs. Lois Geller, Long Beach high school teacher reports on this successful program.



"There were 650 teens jam packed into the auditorium and it took two assistant principals and a dozen teachers to persuade them it was all over. How did we do it? We used the kids' own weapons.

"There was a rock band, a light show, and a local disc jockey as master of ceremonies. Sandwiched in between were skits on consumer frauds with comments by the Commissioner of Consumer Affairs of Nassau County. Add to that a consumer fact quiz game, and a fashion show with 'how to buy' as the theme."

The entire program was put on by consumer education students. Result? The entire school (even the students who couldn't get into the program) was talking about the new elective course in consumer education co-sponsored by the social studies and home economics departments.

**SURVEY OF STUDENT PROBLEMS. . .**  
(continued from page 1)

\* What do you find is a major problem for you when you go to buy?

\* What are the products or services which you would like to know more about now even though you do not expect to buy them during junior high school?

\* Is there information which you would like to get in school about buying which you would like to pass on to your parents?

In tallying his results, Dr. Lee found the most frequently noted problem of these teen-age shoppers was "clerk attitudes." Students

said clerks wouldn't wait on them, waited on older people first, thought the teens might be shoplifters, or simply ignored



the teens. Lee notes that so many of the students were "unhappy about the treatment they received by clerks," that he wrote to the local president of the Chamber of Commerce. The information is being passed on to the C of C retail committee and Dr. Lee has been invited to speak to the retailer group this fall.

Other results from Dr. Lee's survey indicated the teenagers had these specific shopping problems:

\* General questions about clothing -- getting the right size, judging wearing durability, fabric know-how, shrinkage, washing directions. The same kinds of questions were asked about shoes. The one clothing item which was most often referred to with complaints or problems was pantyhose.

\* Questions about the safety of foods and cosmetics.

**REQUEST FOR HELP ON JUNIOR HIGH SCHOOL CONSUMER EDUCATION PROGRAMS**

Erwin Price, social studies teacher, P.S. 56, 220 Henry Street, New York City, sends a request for ideas from individuals in all disciplines who have worked on consumer education program development at the junior high school level.

**GETTING LOST IN FINE PRINT?**

Until the bright day when contracts, policies leases, and warranties are written in big print and easy-to-understand language, every consumer needs to do a bit of legalese interpretation.

A consumer education project might include collecting samples of "fine print" on . . .

- \* mortgages
- \* leases
- \* credit installment contracts
- \* revolving charge accounts
- \* insurance policies
- \* warranties and guarantees
- \* instruction booklets

Students could then begin to pinpoint the things to look for "in fine print." A local lawyer might come in as a guest speaker.



\* Questions about batteries -- how long they last and their durability.

Generally, too, the teens indicated they had problems making shopping decisions -- knowing how to decide what the "best buy" is. The teens expressed a need for more product information and felt they lacked confidence in making choices.



IDEAS FOR CLASSROOM  
EXPLORATION OF CONSUMER LAW

Here are some ideas for exploring the legal dimensions of consumer issues:



\* Conduct a field trip to a small claims court as the end to a section on consumer rights and responsibilities.

\* Invite a local attorney, judge, merchant, and/or vocal consumer in to discuss and debate consumer redress.

\* Study the content and ramifications of a proposed local, state, or federal law. Follow the law through writing, introduction, committee, and legislative action stages.

\* Write letters to legislators in support or opposition of proposed laws. A useful listing of members of the U.S. Congress is "A Letter Writer's Guide to Congress," Publication No. 2021, available free in single copies from: Data Processing Department, Chamber of Commerce of the U.S., 1615 H Street, N.W., Washington, D. C. 20006.

NEEDED: YOUR IDEAS FOR THE  
CONSUMER EDUCATION FORUM NEWSLETTER

We need your ideas on approaches, teaching techniques, etc. for the Consumer Education FORUM. We also need to know what questions you'd like to see discussed in the FORUM. Send your ideas and questions to the FORUM editor: Suzanne Matsen, Cornell-OEO Project, 85 Hoyt St., Brooklyn, New York 11217.

CONSUMERS AND THE TELEPHONE

The jingle-jangle of Alex Bell's invention -- the telephone -- is very much a part of the consumer's life. The subject might make good meat for class discussion. You might make a list of the different types of telephone conversations that are consumer related: requests for product information; requests for repairs; sales promotions from magazines, insurance companies, dance studios; placing orders for merchandise; making complaints.

A set of specific consumer telephone cases could be prepared for student role-playing. Students could then analyze the kinds of information needed to facilitate action on each call...or the kinds of approaches used by over-the-phone salesmen. You might call in an English teacher to cooperate on this analysis.

AMERICAN COUNCIL ON CONSUMER INTERESTS



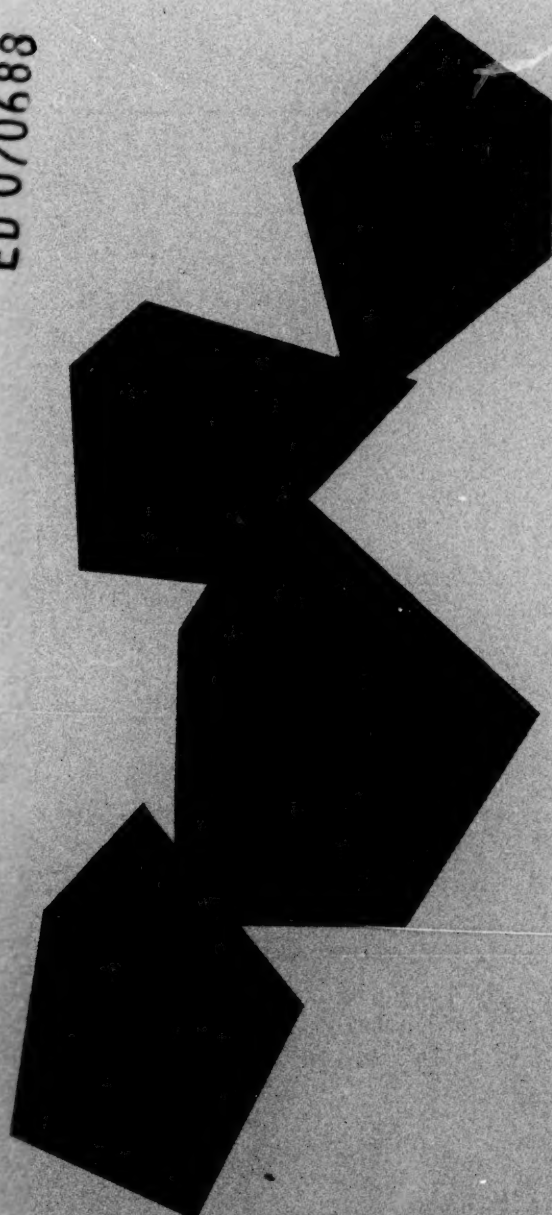
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Consumer Education | FORUM

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Fall 1970

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**THE AMERICAN COUNCIL  
ON CONSUMER INTERESTS**  
works for YOU .....

**THE PROFESSIONAL  
WHO WORKS  
WITH CONSUMERS**



**ACCI is geared solely to serve  
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- books, articles, visual aids for use in professional activities
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**THE AMERICAN COUNCIL ON CONSUMER INTERESTS**

Edward J. Metzger, Executive Secretary  
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- **EDUCATING** the general public, high school, and college students
- **LAUNCHING** consumer action programs
- **CONDUCTING RESEARCH** on consumer problems and issues
- **COUNSELING** consumers on their financial management, debt, buying, and other problems
- **IMPLEMENTING** consumer protection programs, legislation, and regulatory activities
- **DISSEMINATING** information to consumers

**ACCI serves these  
professionals by . . . . .**

- keeping them up-to-date on the latest developments in the consumer field.
- stimulating more effective research, fact-finding, and education.
- promoting an exchange of ideas between professionals in consumer affairs and education.

ACCI is governed by officers and directors elected by its membership at each annual conference. Established in 1953, ACCI is a permanent professional organization, non-partisan and non-profit. ACCI was formerly named the Council on Consumer Information.



AMERICAN COUNCIL ON CONSUMER INTERESTS



EXECUTIVE SECRETARY  
Edward J. Metzen  
238 Stanley Hall  
University of Missouri - Columbia  
Columbia, Missouri 65201

247

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**STOP!  
LOOK!  
INVESTIGATE!**

**A CITIZEN'S GUIDE  
to the  
CONSUMER PROTECTION LAWS  
of the  
STATE OF HAWAII**



*Published by The Office of Consumer Protection  
State of Hawaii John A. Burns, Governor*

## **BUYER BEWARE! BE AKAMAI!**

Read the information in this *Citizen's Guide to the Consumer Protection Laws of the State of Hawaii*. Learn how you may enjoy the protection of the Consumer Protection Laws which have been written for *your* benefit by your Hawaii State Legislature.

The State Office of Consumer Protection represents your interests as buyers and consumers in the State of Hawaii and is ready to serve you. Daily, activities are carried on by this and other State agencies to protect you and your family. Much of this protection goes on even though you may not be aware of it.

Help us to help you keep from being cheated. Read this booklet carefully and tell your family, friends and fellow workers about it. Join the crusade to rid our State of cheats, chisellers and crooks.

### **YOU MAY BE THE NEXT VICTIM!!**

This guide has been prepared and distributed by your *State Office of Consumer Protection*, 1010 Richards Street, Honolulu, Hawaii. Additional copies may be obtained by calling this office.

Telephone number until November 30, 1968: 515-995.

This number changes to the following from December 1, 1968: 531-5995.

## **BUYER BEWARE! BE AKAMAI!**

## CONTINUING EDUCATION IS NEEDED TO PROTECT THE CONSUMER

While effective and forceful government consumer protection programs can do much to stamp out deceptive and fraudulent practices, we must face up to the fact that deception will always take its toll of some consumers. Thus, an essential part of consumer protection must be continuing and up-to-the-minute consumer education and counseling. Teachers, of both the young and adult student, military education and legal officers, labor union education committees, social workers and employers are in an ideal position to create and continue such programs.

Consumers need to be aware of those practices which they may meet in the marketplace which are not simply part of the bargaining game between businessman and consumer, but which the law declares are illegal. The "Bait and Switch" advertising or sales method; the phony bargain advertised as a special price, or as a great mark-down, when in fact the sales price is either the same, or in some cases higher than that usually charged for the same or similar products in the area; the "Easy Credit Terms" which often turn out to be anything but easy; the "unlimited guarantee" which turns out to be almost worthless because of the conditions set out in the fine print of the guarantee; the store-keeper who presses down on the scale with his thumb when weighing meat, bananas, etc. — all of these schemes and many more will be encountered from time to time in the marketplace.

Consumers must learn to become suspicious of the referral sales pitch when used to sell aluminum siding, roofing, and remodeling, etc. They should be wary of special "factory deals" or "wholesale prices." They must learn how to tell the difference between the honest debt counseling services and the dishonest debt consolidator who offers to pool the consumer's debts into a single debt, with lower weekly payments, but who cannot really deliver, since many creditors refuse to deal with him, or to allow their accounts to be tossed into the debtor's pool. Consumers must learn to develop a "hard-nosed" attitude about the advertisement or friendly sales pitch which seems to offer too much. They need to be taught to check prices and credit terms throughout the area, *before* they are taken in on any of these offers that sound too good to be true.

The retail installment contract can be a blessing or a disaster. Consumers should understand its meaning, importance and the obligations which it imposes on them. Few consumers realize that when they sign ~~for~~ a contract, they have taken on a whole series of obligations which ~~can~~ have serious legal effects to the extent of causing them to lose their home or their car or furniture, not to speak of the garnishment of their wages and other equally serious happenings. Few consumers believe that they have any other choice than to sign the contract as it is presented to them. With no misrepresenta-

tion at all, these retail installment contracts can be legal "mouse traps" for consumers who do not read or understand the fine print, and the legal terms which are found throughout their contract, and who sign one contract after another, each calling for low monthly payments, the total of which can be far beyond their ability to pay.

When used as part of a deliberate deceptive attempt to "hook" the unwise consumer, these contracts become ready instruments not simply for confusion, misunderstanding, and over-buying, but also for outright fraud and exploitation.

Consumers should be made aware of the laws which we have to protect them, and should know how to get protection under these laws.

In selecting the laws to discuss in this guide, we have chosen those which we have found from experience most often affect the average consumer, and in some cases, have referred only to those parts of these laws which most often concern the average citizen. In discussing and analyzing these laws, we have tried to eliminate legal terms which might be confusing, substituting language more familiar to the average consumer. The agencies or departments of our State government which give protection under these statutes are also listed in this guide.

To show you how these laws and agencies work together to help Hawaii's citizens, we will give you some examples, using an imaginary family called the Smiths. This is not a real family and these experiences would not all happen like this. However, the laws and agencies mentioned *are* real and are ready to serve you and hundreds of families in Hawaii, like the Smith family, who are daily facing similar experiences and problems.

We hope this guide will help you and your family act wisely to protect your money, your job and your family's future.

### **UNFAIR OR DECEPTIVE BUSINESS PRACTICES<sup>1</sup>**

Unfair or deceptive acts or practices by business concerns are prohibited by law in Hawaii.

What does this mean to you? Let's take the mother of our imaginary family, Mrs. Smith. She is "fat and forty," hasn't been feeling too well lately and wants to look "slim and 20." She sees an ad in the paper or on television which tells her that by swallowing an herb tea before meals, or by being massaged on a couch or table, she can have a trim figure, get rid of her tired blood, relieve her high-blood pressure, diatetes, etc., and restore her youth, all with no strict dieting. She spends her money, she takes the tea, or treatments as recommended, and when she is all through, a Size XL muu-muu may still fit her like a tight bathing suit. She is still tired at the end of a day of washing, ironing, cooking, changing babies, etc., etc. If she ever had high-blood pressure, the chances are that after spending all that

money, with few if any results, her blood pressure is higher than when she started the program.

Such false advertising is against the law. Mrs. Smith could just as easily have been taken in by the promises of a good job at high pay if she took, by correspondence, the course in Department Store Management offered by the door-to-door salesman representing the "Career Girls Institute." These home study schools have no jobs, and the value of the training of many is questionable.

#### **"BAIT AND SWITCH" ADVERTISING**

Recently, Jean, the Smiths' 23-year-old daughter, saw a beautiful wig advertised on television and in the newspaper for an unbelievably low price. She could win a carrying case by immediately phoning the number given. She had wanted a wig for a long time but never thought she could afford it before, so she quickly called the number given.

She was not able to get any information on the phone, but was told to leave her name and address. (In this way, the company gets the name and address of someone interested in buying a wig.)

Later, a company representative phoned Jean. Again, he would give her no facts, except that the price for the wig was indeed only \$25. He made an appointment to show her the wig.

The next day, the salesman called on Jean. He called himself a hair-stylist and brought with him a number of wigs. He called her by name, and complimented her, saying she would indeed look lovely in just the right wig. A number of the styles were attractive on Jean. She particularly liked one, and chose it, checking again to be sure the price was just \$25.

"Oh no!", the salesman said. "You haven't chosen the \$25 wig. You can't buy a wig like *this* beauty for \$25!"

"But", Jean said, "you advertised it. . . ."

"Oh, I do have *that* wig, if that's what you really want," he told her, "but I certainly wouldn't recommend it for someone as attractive as you. As a matter of fact, I can see you are the kind of person who knows quality. I'm sure you would feel it was a waste of good money to buy the \$25 wig, but here it is." He brought out a dull, rather scanty wig which resembled a bird's nest and which, compared to the other wigs, made Jean look very unattractive. She then realized that the \$25 wig was not the one shown on television.

You don't want that wig," he said as he put it away, "when, for only \$15 per month, you can have the right one for you! If you sign this contract, I can leave this lovely one for you for only \$28 down. You can wear it tonight! AND you'll have a whole year-and-a-half to pay for it — all the while you are wearing it!"

Before she fully realized the importance of what she was doing, Jean signed the contract for the expensive wig. Had she insisted on buying the



\$25 wig, she would have been told there was a \$50 additional charge for styling, making the total price \$75 instead of \$25 as advertised.

Too many people fall for this "Bait and Switch" technique. Jean was "baited" with a flashy ad for a cheap article which the company really never planned to sell her. They fully intended to "switch" her to a higher-priced item all the time. In fact, the salesman may have been instructed *not* to sell the \$25 wig to anyone. Jean ended up paying nearly \$250 for a wig she couldn't afford, didn't intend to buy, and could have gotten at a lower price elsewhere.

This same scheme is sometimes used when a store advertises a "sale" on some special item, appliance, or set of furniture, etc. Sometimes, the item advertised is really *not* available, or is *not* intended for sale. The idea is to get the customer into the store with the "bait," and "switch" him to a higher-priced item. In Hawaii, this is prohibited by law. Nevertheless, controlling this takes constant watching, and the "buyer must beware!" Reputable merchants do not resort to these tactics.

#### **CANCELLATION OF A DOOR-TO-DOOR INSTALLMENT SALES CONTRACT**

Suppose Jean later wished she had not signed the contract. Usually, when someone signs a contract, it is "legal" and "binding" and means that person *must* make whatever payments he agreed to, providing the services agreed upon are given, or the goods he bought are received in proper condition. However, there is a new law governing door-to-door retail installment sales which will help protect someone like Jean from her own poor judgment in allowing herself to be talked into signing a contract in her home for something she didn't really want and could not afford. ~~This law is often referred to as the "48 Hour Clause."~~

This says that if a contract is signed *away from the place of business*, (as with Jean in her own home) and if it is an installment contract (not a cash sale), she may cancel the contract by mailing a *notice of cancellation* to the office of the business firm, by *certified mail*, requesting a return receipt. This must be postmarked at the post office *before midnight of the second day following the date the contract was signed.*

The firm or company which makes the door-to-door sale must, according to this law, provide a "cancellation notice" **WITH THE CONTRACT**, to be filled out in case a cancellation is desired. Each contract used in such a sale **MUST INCLUDE THE DIRECTIONS** that the **CONTRACT MAY BE CANCELED BY CERTIFIED MAIL**, within the stated time limit. If a contract for a door-to-door sale is given to you and does not include the above items, you should report this to the Office of Consumer Protection. Such a contract is unenforceable (not a legal one).

### A WORD OF WARNING!

Remember — that with ~~this one~~ <sup>2</sup> exceptions involving door-to-door installment sales, all lawful contracts are binding if you sign them, providing you are 20 years of age or over. *If you sign, you are legally bound to pay what the contract says you will pay — even though you later cannot afford it, or would like to change your mind.*

### ADVERTISING<sup>1</sup>

It is unlawful to use any false or deceptive advertising to promote the sale of goods or services.

Sometimes, items are offered "For Sale" supposedly at a great reduction in price, when actually that item can be bought at that price all along — or you are really being offered a cheap item just brought in for a sale, but represented as a great, "marked-down" bargain. When a reputable merchant offers an item for sale, that exact item is available and is actually offered at a reduced price.

When articles of merchandise are second-hand, used, or are "seconds" (in other words are defective or have a slight flaw) this article must be labeled as second-hand, used, "seconds," or defective, so the buyer knows what he is buying.

### "FREE GIFT" OFFERS BY TELEPHONE<sup>5</sup>

It is unlawful in Hawaii for a company to telephone you and offer you a "free" gift in order to sell you something. They now get around this by sending you a letter saying you have won a prize or gift.

By accepting "free gifts," you may wind up paying \$400 to \$500 for goods you didn't need, or could possibly have bought for \$200 to \$300 at another store.

There are many ways the "free gift" gimmick works. This is one of them:

The consumer is notified that he or she has won a gift and is told to go to the company office to select the gift. At the shop, he is greeted warmly and invited to look over the gifts which may include such items as sewing machines, cameras, vacuum cleaners, and cookware. Then, he is asked which he would like best. When he makes his choice, he is given a paper to sign which he believes shows that he has received or chosen that gift. Only later does he realize that he has signed his name to a contract in which he agreed to pay a very large sum of money for the "free" gift he accepted.

In other cases, the customer is told he and his wife can have the sewing machine free if they will buy a vacuum cleaner for the regular price. The buyer is told he only has to pay a small amount monthly (which adds up in many cases to \$400-\$500) in order to receive two items which he is told, are worth a total of \$1,000. Actually, if he swallows the bait and signs a con-

tract, he will have to pay several hundred dollars for two items which may be of poor quality, may never work right, and which he did *not* intend to buy.

The safest way to avoid being "hooked" by these "give-away" schemes is to tell the merchant to mail you the gift. If he won't mail it — forget it. If you let his salesman deliver it to you, or if you go into the store to pick it up, you are walking right into the "mouse trap."

#### **CONTRACTORS LICENSE BOARD<sup>6</sup>**

Contractors are regulated through a licensing board composed of 13 members. The board has the power to classify and license contractors, receive applications, investigate the applicant's background, and revoke, suspend, or renew licenses after due hearing is granted. The law further provides for civil penalty in the event of violation as well as injunction against any continuing violations.

How does this concern you? Let's use our family, the Smiths, to give you an example. By the side of their house, there is a large area where the shrubs and lawn have been dug up. Some building has been started but not finished. The boards which have been put up are being spoiled by the weather because the work has stopped and the roof has not been finished. Mr. Smith made the mistake of letting a high-pressure, friendly-acting, door-to-door salesman talk him into signing a contract with the salesman's company to build a family room onto the Smiths' house. It sounded like a real bargain, and Mr. and Mrs. Smith *had* been thinking of building another room. It wouldn't cost them much at all, the salesman said, because he would use their house as a model home in order to interest other customers in building. In fact, he would give the Smiths the deal at just about half-price, and they wouldn't even need to make a down payment.

One reason that the salesman could offer the Smiths such a low price, he stated, was that his company used the "Referral Plan." That is, if the Smiths would agree to tell five of their friends about the nice job the company was doing, and allow the company to show this home to other people, they could have this low price on this job. The company would even pay the Smiths \$20 for each homeowner referred to the company by them, the salesman said. However, the price quoted was *not* low, and the company did not intend to pay them \$20 for each homeowner or customer referred to them.

It was a sales gimmick, used to "hook" the Smiths. (This so-called "Referral Plan" is also used in many other kinds of sales, to trick people into buying a product such as encyclopedias, house sidings, or landscaping, etc.)

Mrs. Smith wanted to think the offer over for a few days. However, the salesman explained that he was only allowed 10 days in which to decide

which houses in the city he would "choose" to be the "lucky examples" of his company's work, and that the time was nearly up! The Smiths would have to sign the agreement (or contract) right away, he said, if they wanted to be the lucky ones.

The Smiths didn't know that all over the city, salesmen were telling each homeowner the same story. And of course, the salesman didn't want to give Mr. and Mrs. Smith a chance to think things over. That was why he rushed them into signing the contract. If Mr. and Mrs. Smith had taken the time to think, they might not have signed. They could have taken the time to get the salesman's name, and the name, address, and phone number of the company. They also could have checked the next day with the Contractors License Board (under the State Department of Regulatory Agencies) to find out if that company was a reputable firm, and was licensed by the Contractors License Board to do that kind of work. They could have called the Office of Consumer Protection about this, or any other sales presentation or "pitch," to see if it sounded like a fair deal.

However, the Smiths decided they had better not lose this great chance, and they were talked into signing the contract immediately. There were several things which they talked over and agreed upon with the salesman, who was very helpful. However, most of these things, such as the \$20 for each referral, the vinyl tile for the floor, and wood paneling for the walls of the new room, were *talked* about, but were *not included in writing in the contract*.

Therefore, when the Smiths later asked the company to do the things they had agreed to do, the company expressed surprise that the Smiths expected to have the tile and paneling included. They said the salesman had made a mistake in promising these things and told the Smiths to look at their contract. Since it was not in the contract, they said it would not be included in the deal, and would cost the Smiths \$346 more to have it done.

The salesman had not "made a mistake." The Smiths had made a very common mistake. They failed to realize that in order to "make a sale," many companies will have a salesman deliberately promise things which the company does not plan to give. In other words, there was an "oral" or *spoken agreement*, but it was not a *written agreement*. Therefore, it was not binding. *In the absence of fraud, under the law, all that the company has to provide is that which is in writing in the contract.*

However, *the Smiths also were bound by what was written in the contract, and in their hurry, they had not read all of the small print in the contract before they signed it.*

A week after the work had started, Mr. Smith received a bill from the company stating that payment was due for half of the total cost of the job, although the company had barely started work. When Mr. Smith called the company to tell them he thought there was some mistake, they told him that

in one part of the contract he had signed, it stated that as soon as work *began* on the job, 50 per cent of the total cost was due. Unless Mr. Smith could pay \$2,000 immediately, they said, they would stop work and take him to court. When Mr. Smith looked at his copy of the contract, he found in small print, the section which stated this. Now, he was faced with having to pay \$2,000 immediately, and also having to pay a great deal extra to have the tile and paneling included, when he had understood that this would all be done as part of the job he was paying for.

In this and other cases where it appears that deceptive or fraudulent methods have been used, or contracting work is not being done properly, or according to specifications in the contract, a complaint stating such facts can be sent to the *Contractors License Board of the Regulatory Agencies*. This Board can investigate, and if improper practices are being used, the Board can either revoke the contractor's license to operate, or prohibit the company from operating this way in the future. *However, if someone has already signed a lawful contract, it may be too late to save him from a large financial loss.*

#### **A CONTRACT IS AN EXTREMELY IMPORTANT PAPER.**

Here are 5 points to remember when you are thinking of signing a contract:

1. You should *know and understand* what is already written in the contract before you sign it. (If necessary, get help from your attorney or the Office of Consumer Protection, in order to understand it.) Do not let yourself be rushed!
2. You should insist that any oral agreements which you want fulfilled are also *written* into the contract *before* you sign.
3. *All spaces in a contract should be filled in as agreed upon*, as to cost or conditions, or these spaces should be crossed out *before* you sign the contract. A contract is unenforceable by the seller when it contains blank spaces to be filled in *after* it has been signed.
4. Be sure you get an identical copy of the signed contract to keep at the time you sign it.
5. Remember that in door-to-door installment sales, the buyer has approximately 48 hours in which to cancel the contract by certified mail.

#### **WEIGHTS AND MEASURES**

The Weights and Measures Branch of the Department of Agriculture regulates weights and measures used by business establishments in determining the quantity of goods sold to consumers.

Recently, Richard Smith, the Smiths' son, was on a business trip to a Neighbor Island. Traveling from one end of the island to another in a rental



car, he noticed that the odometer indicated greater distances between points than he remembered it as being. Reaching a stretch of road where the measured miles are marked on the highway, he checked the mileage and found that the car indicator was measuring greater than it should.

When he returned to Oahu, Richard called his attorney and was referred by him to the Office of Consumer Protection. There, his complaint was typed out, including such information as the name of the company, and the license number and make of the car. This was immediately sent to the Department of Agriculture, Weights and Measures Branch.

An inspector from the Weights and Measures Branch tested the car in question. The results did show the odometer to be wrong, and steps were taken to stop the company from using cars on which the odometer registered more miles than actually driven.

This shows how the consumer can work with his state law enforcement agencies to see that the laws of Hawaii are obeyed, and the consumer protected.

When a measuring device is checked by the Weights and Measures Branch of the Department of Agriculture, a colored, State of Hawaii seal of approval is put on the device to show that it is accurate. These devices include such things as the odometers on rental cars, taxi meters, weighing scales, fabric measuring devices, gasoline pumps, etc. Should a device be found to be inaccurate, it is marked with a bright red tag which states that it is inaccurate and may no longer be used.

The Marketing and Consumer Services Division of the Department of Agriculture periodically checks weights and measures stated on packages, to be sure that the amount stated on the package is actually the amount contained in the package which the consumer buys. Correct labeling and advertisement of eggs and poultry is also checked.

The Commodities Branch polices all advertising of goods at retail, to be sure that no misrepresentation is present.

### **FROZEN FOODS<sup>8</sup>**

There are other laws which help us buy foods safely. One such law, enforced by the State Department of Health, requires labels on foods which have already been frozen.

Have you ever gone to the market and seen a nice fresh roast or large chicken, and thought, "That would be nice for the company this weekend." Perhaps you wanted to buy it then, take it home and have it ready to cook for the weekend guests . . . but in order to be sure it would stay fresh enough to use several days later, it should be frozen. If the meat had already been frozen once, however, it would not be safe for you to freeze it again and it should be used as soon as possible. Until 1967, the public could not



be sure which items had already been frozen. Now, these items must be labeled. The Food and Drug Branch of this department also polices the purity, quality, labeling, and advertising of foods, drugs, cosmetics, and devices.

#### **COMMERCIAL EMPLOYMENT AGENCIES<sup>9</sup>**

The Department of Labor and Industrial Relations governs the regulation and licensing of commercial employment agencies. The director of this department has the power to make regulations as to the fees that an employment agency may charge. No employment agency shall require an applicant to pay any advance fee, or any other fee, deposit, or compensation other than as set by law. For further information, check with that department.

Fraudulent or misleading information in employment opportunity advertisements is unlawful.

#### **AUTOMOBILE DEALERS AND SALESMEN LICENSING ACT<sup>10</sup>**

This law prohibits advertisements for sale of motor vehicles which are not available at the time the advertisement is made. The term "wholesale" shall not be used in retail automobile advertising.

Also, no motor vehicle may be advertised as *new*, unless it:

- A. Has not previously been sold to any person except as a distributor or dealer for resale *and*
- B. Has not previously been registered or titled, except in the name of its manufacturer, distributor, or licensed new motor vehicle dealer, or in the name of a lender, solely for the purpose of financing the manufacturer, distributor or dealer, *and*
- C. Not previously been driven more than 500 miles.

A motor vehicle dealer's licensing board is created for each of the counties, and for the City and County of Honolulu, and is empowered with the authority to regulate both new and used car dealers in this state.

#### **DISCLOSURE OF FINANCING CHARGES<sup>11</sup>**

Under the law, anyone taking out a loan or seeking credit must be told *all of the finance costs he will have to pay* and that the following items must be listed in writing for him:

- A. The sale price;
- B. Down payment or trade-in credit, if such is the case;
- C. The difference;
- D. Charges not having to do with the granting of credit, such as insurance, filing fees, etc.;
- E. Total amount of finance;

- F. Finance charges for the entire amount either in percentages or dollar amounts.

This law does not apply to retail installment sales; this is covered in the following section.

The following information will be of interest to you when you buy something "on time," and sign a retail installment contract, agreeing to pay it off in two or more payments. This tells you some of the rights and duties that you have under a contract of this type.

#### **RETAIL INSTALLMENT SALES ACT<sup>12</sup>**

*A retail installment sale is defined as any sale of goods or services to a retail buyer under a contract which provides for time payments in two or more installments, for the entire price of the goods or services.*

*Following are requirements for every retail installment contract:*

- (a) The written contract must be signed by both the buyer and the seller, and must contain the entire understanding or agreements, of the parties with regard to the sale.
- (b) It must contain the amount or rate of finance charge and be clearly designated as a retail installment contract. It must also contain certain notice to the buyer concerning his or her rights.
- (c) It must provide for a description of the goods and the copy of the contract must be furnished to the buyer at the time the sale is concluded.

*The law requires the listing of the cash sale price, and the finance charges which cover the entire time the payments are to be made. The following items must be listed in the contract:*

- (a) The cash sale price of the goods which are the subject matter of the retail installment sale;
- (b) The amount of the buyer's down payment, itemizing the amounts paid in money and in goods, and containing a brief description of the goods, if any, traded in;
- (c) The difference between items (a) and (b);
- (d) The amounts, if any, charged for insurance and other benefits, specifying the coverages and benefits;
- (e) The amount of official fees;
- (f) The principal balance, which is the total sum of items (c), (d) and (e);
- (g) The amount of the finance charge, which may be stated as a percentage of the monthly unpaid balance to accrue thereafter, if such finance charge is not capitalized, or stated as a dollar amount in any of the documents or payment books connected with the transaction;

- (h) The time balance, which is the sum of items (f) and (g), payable in installments by the buyer to the seller, the number of installments required, the amount of each installment expressed in dollars and cents, and the *due* date or period thereof if the finance charge is stated in a dollar amount;
- (i) The time sale price if the finance charge is stated in a dollar amount.

*A copy of the contract, signed by both parties, must be furnished to the buyer. Delivery of the signed copy of the contract may be postponed, but if no copy of the contract has been received and the buyer has not received delivery of the goods, he or she may cancel the contract, and receive immediate refund of all payments. The contract itself may provide for acknowledgment, by the buyer, of delivery of the copy of the contract. Note that this entire provision is not applicable where the merchandise sold was specifically ordered or custom-made to specifications provided by the purchaser.*

*The seller may require insurance to protect the interest in the goods sold to the buyer. The buyer has the right to choose an authorized insurance company, however, subject to the approval of the retail seller. In case the entire purchase price is paid up ahead of time, or in the case of an early cancellation of the policy, the unearned insurance premium shall be refunded or credited to the installment purchase price.*

*The seller has the right to collection costs and attorney's fees, in case the buyer fails to make his payments, and has to forfeit (give up) the goods. In other words, if the buyer defaults (cannot make his payments) he may have to pay collection charges and attorney's fees as well as forfeit his goods.*

*The law requires that all blank spaces in a contract be filled in before the buyer signs the contract. Otherwise, the contract is unenforceable by the seller. However, the following is an exception: If the goods have not been delivered, the contract signed by the parties may contain blanks for placing identifying marks or numbers regarding the merchandise sold, such as motor serial numbers, as well as the date the first installment is due.*

*The buyer is protected by law when he makes payment to the last known holder of the contract, where no notice is given to him or her that the contract has been transferred to a third party, such as a bank.*

*The buyer's rights are provided for in the following general areas:*

- (a) *Referral sales are held unenforceable and void. Under this law, if a sales person talks you into signing a contract with the promise that he or his company will pay you for referring other people to him, that contract is not legal. Perhaps you recall that this same type of "referral" sales pitch was used when the Smiths were told they would receive \$20 for each person they referred to the contractor who built their new room (see Refer-*

ence #6 on page 7). This is a good example of why it pays for the consumer to know what rights he has under these laws.

- (b) The buyer cannot either expressly or impliedly agree to give up all defenses (or possible action) available against the seller or the bank or loan company the seller assigns the contract to. (the assignee)
- (c) No contract shall require or entail the execution of any note or series of notes by the buyer which, when separately negotiated, will cut off as to third parties, any right of action or defense which the buyer may have against the seller. (For further explanation of items (b) and (c), please see Reference #13 on page 15)

The seller has the right to retake the goods in the event of default (failure to make payment) by the buyer. In repossessing the goods, the seller is required to provide notice to his buyer, and the buyer has certain rights to redeem the property before the date set for retaking and resale.

*The seller is permitted to recover the balance of the unsatisfied amount due and owing on the contract after the goods have been retaken and resold.* Thus, if the amount recovered on the sale does not adequately satisfy (pay) the indebtedness of the buyer, the seller may proceed to recover the unsatisfied difference from the buyer. The buyer, on the other hand, may question the reasonable value of the goods sold, as well as the added expense incurred by the seller in retaking, keeping, or storage of the goods during the interim period before sale. Note that the buyer further has a conditional right to the goods if, at the time of default under the contract, he or she has paid an amount equal to 80 per cent or more of the total sale price.

*Add-On Purchases.* The law provides for additions and consolidations of purchases to the original retail installment purchase contract. Thus, where a retail buyer has already executed a contract with the seller for the purchase of one item, he may add future purchases under the retail installment plan by execution of a memorandum of additional purchases furnished by the seller. The written memorandum merely reflects the understanding that these purchases will be paid in the same way as that item purchased according to the executed contract. The latter portion of this provision provides for the apportionment of payments made under a consolidated retail installment transaction. This provision is important in determining which goods may be repossessed by the seller when the retail buyer fails to make payments sometime after full payment of the original installment, but before full payment has been made for the additional purchases. Note: In order to protect his investment in his original purchases so that he doesn't lose the goods he has already paid on (in case of a default of payment) the buyer might be wise to arrange for a separate contract for any additional purchases he wished to make.

### **THE BUYER'S RIGHT OF DEFENSE<sup>13</sup>**

*The buyer has the right of defense, or action against, the third party (or financial institution which may have taken over the contract from the original seller) in case there is difficulty over the quality or condition, or receipt of goods or services which has been bought.* If the services or goods received are not satisfactory according to the written agreement, and the buyer would have gone to the seller to have this made right, he may now request the same thing through the loan company, or bank. In other words, the buyer's rights may not be cut off because the loan has been taken over by a third party.

### **SECURITIES<sup>14</sup>**

Certain securities must be registered with the Commissioner of Securities for the protection of the public.

The law outlines the steps necessary for registration, and permits several means of registering certificates, depending on the nature of the security. The entire chapter regulates salesmen, dealers, and investment advisers. An investment adviser means any person who is engaged in the business of advising others, through publications or writings, as to the value of securities, or to the advisability of investing, purchasing or selling securities.

This law protects the public from the fraudulent sale and promotion of securities, and makes specific provisions against deceptive advertising of securities.

This comes under the Business Registration Division of the Department of Regulatory Agencies.

### **CEMETERY BOARD<sup>15</sup>**

A Cemetery Board regulates the sale of cemetery plots and niches, and licenses cemetery salesmen.

The purpose of this act is to be sure that where property has been set aside, formerly used, and legally dedicated for cemetery use, that this shall be forever used for that purpose. This also provides for policing the promotion and sale of cemetery plots and niches, and the licensing of cemetery salesmen, and provides certain bonding requirements as a safeguard to all newly-developed cemetery property.

### **UNIFORM LAND SALES PRACTICES ACT<sup>16</sup>**

This act protects buyers and investors of real estate, by requiring sellers to make full disclosure of all material facts on the sale of subdivisions, and to refrain from misleading promotional tactics in describing subdivision offerings.

### STATE REGULATORY AGENCIES<sup>17</sup>

Each division of the Department of Regulatory Agencies has regulatory powers over a particular type of business, profession, or vocation. Their duty is to protect the public interest by enforcing the laws and regulations governing the activities of these groups.

The activities carried on by the Regulatory Agencies include *Licensing*, (such as with real estate salesmen), *Auditing* (as with banks and savings and loan associations), *Analysis* (as with insurance rates), *Examination* (as with insurance examinations), *Investigation* (such as with the Professional and Vocational Licensing Division), and *Inspection* (such as the Public Utilities Commission's inspection of vehicles, used commercially to carry passengers or freight, and the inspections carried on by the Fire Marshal Division).

The six divisions of the Regulatory Agencies are: Insurance, Bank Examination, Fire Marshal, Business Registration, Professional & Vocational Licensing, and the Public Utilities Commission.

The following *Licensing Boards and Commissions* operate under legal authority as part of the *Professional & Vocational Licensing Division* of the State Department of Regulatory Agencies:

|                     |                       |                    |
|---------------------|-----------------------|--------------------|
| Abstract Makers     | Dental                | Optometry          |
| Accountants         | Engineers, Architects | Osteopathy         |
| Barbers             | & Surveyors           | Pharmacy           |
| Boxing              | Massage               | Private Detectives |
| Chiropractic        | Medical               | & Guards           |
| Collection Agencies | Naturopathy           | Real Estate        |
| Contractors         | Nursing               | Veterinary         |
| Cosmetology         | Optical Dispensers    |                    |

### DEPARTMENT OF THE ATTORNEY GENERAL<sup>18</sup>

The Attorney General is the Consumer Counsel for the State, representing the respective counties, and the general public as consumers. When the Office of Consumer Protection, or any of the departments or divisions of our State Government, seek to prosecute violators of our consumer protection laws, such prosecution is handled through the Office of the Attorney General.

References are from the Revised Laws of Hawaii and Session Laws of Hawaii.

### FOOTNOTES

<sup>1</sup>Chap. 205A RLH 1955  
<sup>2</sup>Chap. 289 RLH 1955  
<sup>3</sup>Act 285 SLH 1967  
<sup>4</sup>Chap. 289 RLH 1955  
<sup>5</sup>Act 158 SLH 1967  
<sup>6</sup>Chap. 166A RLH 1955

<sup>7</sup>Chap. 22B RLH 1955  
<sup>8</sup>Act 206 SLH 1967  
<sup>9</sup>Chap. 88A RLH 1955  
<sup>10</sup>Chap. 160 RLH 1955  
<sup>11</sup>Chap. 191A RLH 1955  
<sup>12</sup>Chap. 201A RLH 1955

<sup>13</sup>Act 285 SLH 1967  
<sup>14</sup>Chap. 199 RLH 1955  
<sup>15</sup>Act 199 SLH 1967 (Ch 171B)  
<sup>16</sup>Act 223 SLH 1967  
<sup>17</sup>Chap. 14A RLH 1955  
<sup>18</sup>Chap. 14A RLH 1955



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AFFIX 5¢  
POSTAGE

EDITOR OF SERVICE  
OFFICE OF INFORMATION  
U.S. DEPARTMENT OF AGRICULTURE  
WASHINGTON, D.C. 20250

265

I wish to have my name added to the mailing list to receive "SERVICE . . . USDA's Report to Consumers" and other consumer material issued by the U. S. Department of Agriculture.

NAME: \_\_\_\_\_

AFFILIATION: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

CITY: \_\_\_\_\_ STATE: \_\_\_\_\_

ZIP CODE: \_\_\_\_\_

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TRUTH IN  
LENDING

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***Answers***  
***to some***  
***Questions***  
***You may have***

## FOREWORD

The Truth in Lending Act, which is part of the Federal Consumer Credit Protection Act, and Regulation Z interpreting the Act became effective July 1, 1969.

In an effort to be of assistance to customers of General Motors dealers, General Motors Acceptance Corporation is pleased to provide through this booklet some information on the Act and the Regulation as they apply to credit sales.

The material is based on the language of the Act and Regulation, and on questions and answers developed by the Federal Reserve Board for information purposes.

While this booklet deals with Federal legislation, the Act specifies that it does not affect the applicability of state law, except to the extent that those laws are inconsistent with the Act or Regulation.

For your convenience, this information is presented in question and answer form, covering some of the most common questions that have been arising. We hope you will find it helpful.

## **Questions and Answers**

- Q. What is the purpose of the Truth in Lending Act?
- A. The Act states that its purpose is to let customers know the cost of credit so that they can compare such costs and avoid the uninformed use of credit. The two most important disclosures required are the finance charge and the annual percentage rate. They tell you at a glance how much you are paying for credit and its relative cost in percentage terms.

### **What the Law Covers**

- Q. Who must comply with the law?
- A. Basically, the law applies to anyone who regularly offers consumer credit. This includes individuals, government agencies, partnerships, corporations, associations, co-operatives and others.
- Q. What types of credit are covered by the law?
- A. Generally, credit for which a finance charge is imposed or which is payable in more than four instalments, and which is extended to individuals for personal, family, household or agricultural uses where the amount financed does not exceed \$25,000 and all real estate credit transactions for these purposes regardless of the amount of credit. Typically, such credit is used when buying or financing the purchase of items such as an automobile, a washing machine, a television set or other major appliances.
- Q. What transactions are exempt?
- A. The following are not affected:
1. Business and commercial credit — except agricultural credit.

2. Credit to Federal, State and local governments. (However, governmental units extending credit to individuals are affected by this law.)
3. Transactions in securities and commodities accounts with a broker dealer registered with the Securities & Exchange Commission.
4. Transactions under certain public utility tariffs.
5. Credit over \$25,000 — except real estate transactions.

**Information Required**

- Q.** What terms must the creditor or seller make known to you in a credit sale?
- A.** The following information must be presented to you:
1. Cash Price — This is the full price you would have to pay if you bought for cash.
  2. Total Downpayment — Itemized as your cash downpayment and your trade-in.
  3. Unpaid Balance of Cash Price — Difference between items 1 and 2.
  4. All other charges, itemized, that are included in the amount financed but are not part of the finance charge.
  5. Unpaid Balance-Amount Financed. This amount includes all charges which are not part of the finance charge. (See Question on page 5 for definition of finance charge.)
  6. Total dollar amount of the finance charge. (The date the finance charge begins to apply must be shown if different from the date of the transaction.)
  7. Total of Payments — This is the amount you owe.



8. Deferred Payment Price — This is the total cost of the goods when you buy them on time. It includes the cash price, other charges, if any, plus the finance charge.
  9. Annual percentage rate. (See Question on page 6 for definition of annual percentage rate.)
  10. The number, amounts and due dates of payments.
  11. The amount charged for any default, delinquency, etc., or method used for calculating that amount.
  12. A description of any security interest held by the seller and identification of the property to which it relates. If other indebtedness is or may be secured by the property, that fact also must be stated.
  13. In the case of prepayment, how the amount of the finance charge to be rebated is calculated. Charges deducted in figuring any rebate or refund must be stated and any penalty charge described.
- Q. When must you receive all this information?
- A. Before the credit is extended and before you sign the contract.
- Q. Must the information be given in writing?
- A. Yes. With respect to credit sales, the information must be included on the contract evidencing the obligation, or on a separate sheet that identifies the transaction.
- Q. Where there is more than one buyer, as in the case when a husband and wife sign as co-purchasers, does disclosure have to be made to both?
- A. No. The disclosure statement has to be given only to one of the buyers in the transaction.

### **Finance Charge**

Q. What is the finance charge?

A. With certain exceptions shown in the next two Questions, it is the sum of all charges imposed by the creditor which you must pay, directly or indirectly, for obtaining credit.

Q. What costs are included in the finance charge in a credit sale?

A. In a credit sale some of the more common items which must be included are:

1. Time price differential, interest, service, carrying, investigation or similar charges.
2. Premiums for credit life or disability insurance, physical damage insurance, liability insurance and other insurance under certain circumstances. In the case of credit life or disability insurance, the premium need not be included in the finance charge if the creditor makes it clear to you, in writing, that such insurance is not required and shows you in advance the cost of that insurance. If you want it, then you must separately sign a statement indicating that fact.

If physical damage insurance is required, the premium need not be made part of the finance charge if the creditor gives you the option, in writing, of choosing the person from whom the insurance is to be obtained and, if it is obtained through the creditor, shows you its cost. (Of course, if the premium is financed, its amount must be disclosed and included in the amount financed, even if the insurance is not required by the creditor.)

The above also holds true for bodily injury and property damage liability insurance.

3. Investigation or credit report fee, if any.

Q. Are all costs part of the finance charge?

A. No. Some costs which would be paid if credit were not employed may be excluded from the finance charge if itemized in the instalment contract. Here are some examples:

1. Taxes not included in cash price
2. License fees
3. Registration fees
4. Certain title fees

Q. How is the finance charge to be shown?

A. It must be clearly typed or written. The law stipulates that all numerical amounts and percentages are to be stated in figures and shall be printed in no less than 10 point type or elite size typewritten numerals or be legibly handwritten.

The words "finance charge" and "annual percentage rate" must be set forth in a more conspicuous manner than the other items to be disclosed.

#### **Annual Percentage Rate**

Q. What is the annual percentage rate?

A. Simply put, it is the relative cost of credit in percentage terms. That is, the finance charge related to the unpaid balance adjusted to reflect the repayment schedule must be expressed as an annual percentage rate. Such rate must be accurate to the nearest one quarter of one per cent.

Q. How is the annual percentage rate calculated in a credit sale?

A. Here are two simple examples:

1. When the finance charge is added to the original amount owed and is included in

the monthly payments, this is commonly referred to as the add-on method. GMAC uses this method.

On an instalment purchase with \$1,200 repayable in 12 equal monthly instalments at a 6% add-on rate, the purchaser would repay \$1,272. The finance charge of \$72 represents an annual percentage rate of 10.90%. The annual percentage rate is higher than the add-on rate since the purchaser only has use of the full \$1,200 until he has made his first payment, and less and less each month as payments are made.

2. Using the same example as above with a 12 month term and the 6% finance charge discounted in advance, that is, with the amount of the finance charge subtracted from the amount advanced, the annual percentage rate would be somewhat higher—11.58%. The purchaser would have the use of only \$1,128, but would have to repay \$1,200.

Q. Must the creditor always show the annual percentage rate?

A. Yes, with the following exceptions: If the finance charge is \$5 or less, and applies to credit of \$75 or less, it need not be shown. The same applies to a finance charge of \$7.50 or less on credit of more than \$75.

Q. Does the Act establish a maximum rate which can be charged to you?

A. No. The Act does not fix maximum or minimum rates. It merely requires that you be shown whatever rate you are charged.

#### **Advertising Credit**

Q. Are there any restrictions which affect the way a creditor or seller may advertise?

A. Yes. All advertising to aid or promote any extension of consumer credit, regardless of who the advertiser may be, is regulated.

Q. What kinds of advertising are affected?

A. All types of advertising: television, radio, newspapers, magazines, leaflets, flyers, catalogs, public address announcements, direct mail literature, window displays, billboards, etc.

Q. In what way do the restrictions affect credit advertising?

A. Generally, the seller or creditor may only advertise credit terms he usually and customarily arranges, or will arrange.

Also, he cannot specify in an advertisement any dollar amount or any other number indicating per cent of down payment or number of months to pay without setting forth all other credit terms involved. He cannot advertise "No Down Payment" unless he also states all the other financing terms.

#### **Proof of Compliance**

Q. What assurance do you have that the person who extends credit is complying with the law?

A. The Regulation requires that those who extend credit keep records evidencing compliance with the law for the term of the contract but for not less than two years. They must permit the government to inspect such records upon request. In addition, the Act provides penalties for violation.



WHERE SERVICE HAS THE STANDARD OF EXCELLENCE



ED 070688

STATE OF HAWAII



**CONSUMER  
PROTECTION  
LAWS**

**SAVE YOUR MONEY!**



JOHN A. BURNS  
*Governor*  
STATE OF HAWAII



EXECUTIVE CHAMBERS  
HONOLULU

JOHN A. BURNS  
GOVERNOR

February 5, 1970

Dear Consumer:

Hawaii has many laws to protect you as a consumer. It is not enough just to have laws passed by the Legislature and signed by the Governor. To be protected--you must know your rights and the protection provided under these laws. An informed consumer is the best protection against fraud and deception.

Protection of both the consumer and the legitimate businessman is the aim of the newly created Office of Consumer Protection within the Governor's Office. The best protection for buyers is to avoid getting cheated in the first place. The best protection for legitimate business is to treat their customers in such a way that customers will want to continue trading with them and encourage their friends to do likewise.

In this booklet we are giving you brief summaries of many of our laws designed to protect you and your hard earned money. Read this carefully and keep it in a handy place so you can refer to it quickly before you sign any contract or make any major purchase.

I earnestly hope the information in this booklet will save you money and help you to avoid becoming a victim of consumer pitfalls.

May the Almighty be with you and yours always.

Sincerely,

*John A. Burns*

### OFFICE OF CONSUMER PROTECTION

The 1969 Session of the Legislature, recognizing the need for a strong and effective consumer protection program to protect the interests of both the legitimate businessman and the consumer public, enacted Act 175 creating a permanent Office of Consumer Protection within the Office of the Governor.

A Consumer Advisory Council has also been created to advise and assist the Office of Consumer Protection. This Council consists of eleven members, who serve without pay, appointed by the Governor.

The Office of Consumer Protection is located at Room 602 Kamamalu Building, 250 South King Street, or P. O. Box 3767, Honolulu, 96811 Telephone 531-5995. Complaints may be filed with the office by calling in person, letter, or telephone. Complaints from the neighbor islands may also be filed with the Governor's liaison offices or the following State Department of Social Services offices:

Hawaii — 75 Aupuni St., Hilo, Hawaii 96720

Maui — State Office Building, Main St., or  
— P. O. Box 889, Wailuku, Hawaii 96793

Kauai — State Office Building, 3060 Eiwa St., or  
— P. O. Box 8, Lihue, Hawaii 96766

Molokai — Kaunakakai, or P. O. Box 7, Kaunakakai, Hawaii 96748

Information and requests for consumer protection educational materials may also be obtained from the above mentioned offices. In addition, feel free to contact your local member of the Consumer Advisory Council to discuss any consumer problem or suggest any improvement for rendering better service to the consumers of our state.

#### UNFAIR OR DECEPTIVE BUSINESS ACTS OR PRACTICES (Sec. 480-2, HRS)\*

Unfair or deceptive acts or practices by business concerns are unlawful. Unfair practices include deceptive or misleading advertising, misrepresentations as to the guarantees on products or services, and false or deceptive labeling.

#### UNIFORM DECEPTIVE TRADE PRACTICE ACT (Act 187, SLH 1969)\*

This law lists a number of specific acts or practices as deceptive trade practices. A person likely to be damaged by a deceptive trade practice of another may bring a court action to enjoin the deceptive trade practice.

### **FALSE ADVERTISING** (Chap. 747, HRS)\*

All types of untrue, misleading, or deceptive advertising are unlawful.

### **RETAIL INSTALLMENT SALES** (Chap. 476, HRS. Act 131, SLH 1969)\*

A retail installment sale is a sale of goods to a retail buyer pursuant to a retail installment contract providing for payment of a time sale price. The time sale price is the price the buyer would pay if he were to pay cash plus the amount paid for insurance and other benefits, official fees, and finance charges. A retail installment contract is an agreement to pay the purchase price of goods or services in two or more installments over a period of time. Retail installment contracts are usually used to purchase items such as major household appliances or automobiles.

This law details all of the requirements for a legitimate retail installment contract.

#### **Referral Sales:**

A retail installment contract which has been signed as part of a referral sale plan is void. A referral sale occurs when the seller promises to pay the buyer for referring other customers to him.

#### **Cancellation of a House-to-House Retail Installment Sale:**

A house-to-house sale is a sale of goods or services solicited in person and signed by the buyer at a place other than the seller's business address shown on the contract. Typically, this would be a sale where a salesman visits you at home.

When a buyer signs a house-to-house sales contract, the seller **must** give the buyer a written statement of the buyer's right to cancel the sale and a form to be sent in by the buyer to cancel the contract. The law provides that a buyer may cancel a house-to-house sale by sending a notice of cancellation to the seller by **CERTIFIED MAIL, RETURN RECEIPT REQUESTED**, within three business days after the contract has been signed. The three days excludes Saturdays, Sundays, and holidays.

If a house-to-house sale is cancelled, the seller can retain or recover from the buyer a cancellation fee of 5 percent of the **cash sale** price, or \$15, **whichever is less**, plus the cost of delivery of the goods (if delivery was made). The seller must return to the buyer any payments made over the

cancellation fee, any goods traded in, any note or evidence of indebtedness given by the buyer to the seller in connection with the sale. Note that if the seller has performed any services under the contract prior to its cancellation, the seller is **not** entitled to any compensation other than the cancellation fee. Also, if the seller's services resulted in the alteration of the property of the buyer, the seller must restore the property to the condition it was in prior to the time the seller provided the services.

#### **SOLICITATION BY TELEPHONE**

##### **Free Gifts** (§445-184, 468-4, HRS)\*:

The law prohibits solicitors from calling consumers at home and offering prizes, coupons, or other "free" gifts to induce sales or appointments for sales. Simply stated, anyone who calls you and offers you a gift if you buy something or make an appointment to see a salesman is violating the law.

##### **Handicapped Persons:** (Act 213, SLH 1969)\*:

The vocational rehabilitation section of the Department of Social Services issues numbered certificates to disabled or handicapped persons who solicit goods or services by telephone.

A person who solicits sales of goods and services by telephone and represents that he is disabled or handicapped must disclose:

- (1) His name and vocational rehabilitation certificate number;
- (2) The name of his employer;
- (3) The amount he will receive from the sale; and
- (4) That he represents a business for profit not owned by persons who are disabled or handicapped, if such is the fact.

It is unlawful for any person to sell goods or services by falsely representing that the proceeds from the sale are for the benefit of handicapped or disabled persons.

##### **UNSOLICITED GOODS** (Act 84, SLH 1969)\*

A business concern may not send goods or merchandise to consumers which have not actually been ordered by the consumer. Anyone doing so is engaging in an unfair method of competition and a deceptive act or practice which is made unlawful by §480-2 of the Hawaii Revised Statutes. Any unsolicited goods or merchandise may be considered unconditional



gifts by the recipient and he may use or dispose of the goods in any way without obligation to the sender.

### **AUTOMOBILES**

#### **Advertising (Chap. 437, HRS; Act 263, SLH 1969)\***

The law provides that whenever an automobile dealer advertises the sale of a specific car he must also show in the advertisement:

- (1) The year;
- (2) The make of automobile; and
- (3) If it is a used car, the license number.

If a car as advertised above has been sold, the dealer must have in his office the sales contract which shows the buyer's signature.

No automobile may be advertised or offered for sale as new, unless it:

- (1) Has not previously been sold to any person except a distributor, wholesaler, or dealer for resale, except where the automobile has not left the dealer's possession after the sale to a consumer;
- (2) Has not previously been registered or titled in the name of a consumer except where the automobile has not left the dealer's possession after the sale to a consumer; and
- (3) Has not been driven more than 500 miles.

#### **Dealer Licensing (Act 263, SLH 1969)\***

The 1969 Session of the Legislature passed Act 263 creating a state motor vehicle industry licensing board to regulate automobile dealers in the state. All dealers must obtain a license from this board and the board is empowered to suspend, revoke, or deny renewal of a license if a dealer engages in business in such a way as to cause injury to the public.

#### **Odometers (Act 252 and Act 262, SLH 1969)\*:**

Act 252 makes it unlawful for anyone to disconnect, turn back, advance, or reset the odometer of any motor vehicle with the intent to alter the number of miles indicated on the odometer gauge.

Act 262 requires the seller of an automobile, prior to payment by the buyer, to give the buyer a written statement signed by the seller containing the exact odometer reading at the time of the sale and the date of the sale.

#### **SOLICITATION OF FUNDS FROM THE PUBLIC (Act 167, SLH 1969)\***

The Department of Regulatory Agencies is responsible for the registration and regulation of charitable organizations soliciting funds from the general public. In addition to the registration requirements, the law specifically prohibits any person soliciting contributions from doing the following:

- (1) Using the name of any other persons except that of an officer, director, or trustee of the charitable organization for which contributions are being solicited, without the written consent of the other persons;
- (2) Using a name, symbol, or statement so closely related or similar to that used by another charitable organization or governmental agency that its use would tend to confuse or mislead the public;
- (3) Making misrepresentations or misleading anyone by any means to believe that the person on whose behalf the solicitation or sale is being conducted is a charitable organization or that the proceeds of the sale or solicitation will be used for charitable purposes, if that is not the case.

A professional solicitor is anyone who, for a fee, advises or acts as a consultant in connection with soliciting contributions for any charitable organization. Such persons cannot solicit in the name of any charitable organization unless he:

- (1) Has written authorization of two officers of the organization, and
- (2) Has the authorization with him when making solicitations and exhibits it on request to persons solicited.

#### **RENTAL AGENCIES (Act 90, SLH 1969)\***

Act 90 of the 1969 Session Laws of Hawaii provides for the regulation of rental agencies. A rental agency is a company or person who, for a fee, acts as an intermediary between a person who wants to rent or lease housing and a person seeking to rent or lease housing. This law is directed toward a referral type service and not toward management of rental units. The law requires that rental agencies be licensed by the Department of Regulatory Agencies and the posting of a \$5,000 bond is a prerequisite to licensing. The law further requires that rental agencies keep up-to-date

records on the housing accommodations for which it seeks tenants and inform each prospective customer, whether or not he requests the information, of the number of housing accommodations the rental agency has listed which meets the specific requirements of the prospective customer. Rental agencies are prohibited from requiring the customer to pay a fee until it has successfully placed him in housing.

**ESCORT AGENCIES** (Act 174, SLH 1969)\*

The 1969 Legislature enacted a law to regulate escort agencies. These escort agencies provide or arrange for escorts or companions for social occasions for a fee. Each escort agency is required to post a \$5,000 bond with the Department of Regulatory Agencies and that department has adopted rules and regulations for such escort agencies. Any escort agency which violates the provisions of this law is subject to a fine of not more than \$1,000 or imprisonment of not more than six months.

**SECURITIES** (Chap. 485, HRS)\*

Certain securities must be registered with the Commissioner of Securities for the protection of the public. The Commissioner of Securities also regulates security dealers, salesmen, and investment advisers. An investment adviser is someone who is engaged in the business of advising others as to the value of securities, or to the advisability of investing, purchasing or selling securities. The sale of securities through misrepresentation or fraud is prohibited.

\*Indicates where the law may be found. HRS indicates Hawaii Revised Statutes, a compilation of the Statute Laws of Hawaii. SLH 1969 indicates the 1969 Session Laws of Hawaii, laws that were passed by the 1969 Session of the Legislature.





# NEWSLETTER

AMERICAN COUNCIL ON CONSUMER INTERESTS

VOL. 18, NO. 7

OCTOBER 1970

## COUNCIL BUSINESS

### *Research Awards Competition Announced*

Two awards will be presented in the 1971 ACCI Awards Competition for Research on Consumer Problems. The first award of a plaque and \$100 is for papers based on theses dealing with consumer problems completed in 1969, 1970 and 1971. The second award of a plaque and \$250 is for applied research on the consumer problems of individual families; this award is financed by a grant from *Changing Times* magazine. Manuscripts should conform to the "Guide for Submission of Manuscripts" included in each issue of the *Journal of Consumer Affairs* and should not have been published previously. All submissions will be considered for publication in the *Journal*. Five copies of entries should be sent, before February 1st, 1971, to Dr. Robert O. Herrmann, Room 6 Weaver Building, University Park, Pennsylvania 16802. Requests for further information should be sent to the same address.

- **ANNUAL CONFERENCE REMINDER.** The sixteenth annual conference of ACCI will be held at Indiana State University, Terre Haute, Indiana, April 22-24, 1971.

## NEWS OF OTHER CONSUMER-ORIENTED ORGANIZATIONS AND RELATED ACTIVITIES

- **CONSUMER FEDERATION OF AMERICA.** CFA delegates re-elected the CFA officers at the annual meeting on August 29, in Madison, Wis. President — Howard Frazier; Vice Presidents — Jacob Clayman, George Myers, Helen Nelson, Esther Peterson, Don Willner; and Secretary-Treasurer — Robert L. Smith. The CFA Board named the following persons to its newly formed honorary advisory committee: Dr. Colston Warne, Betty Furness, Steve Allen, Wilbur Cohen, Bayard Rustin, Father A. J. McKnight, Dr. Persia Campbell, and Sidney Margolius.
- **CONSUMERS' ASSOCIATION OF CANADA.** Officers elected at the annual meeting to serve for 1970-71 are: President — Mrs. Frank E. (Jean) Jones; Vice Presidents — Mme. P. Lemerise, Dr. R. E. Olley, and Mrs. J. M. Webb; Recording Secretary — Mrs. Ranjit Hall; Treasurer — Miss Catherine Starrs.
- **CONSUMER ORGANIZATIONS' CALENDAR.** Annual meetings. Oct. 24 — South Dakota Consumers League, Huron; Nov. 7 — Oregon Consumer League; Nov. 20 — Organizing meeting of National Student Consumer Protection Council, Villanova University, Philadelphia; Dec. 5 — Arizona Consumers Council; and Jan. 27-29 — Consumer Assembly '71, Washington, D.C.
- **GRAND UNION SUPERMARKETS.** Miss Jean F. Judge, former Extension Professor of Consumer Food Marketing at Rutgers University has been appointed to the newly-created post of Director of Consumer Affairs for the Grand Union Supermarket chain.

## FEDERAL CONSUMER ACTION

- **SPECIAL ASSISTANT TO THE PRESIDENT FOR CONSUMER AFFAIRS' THEORY.** Mrs. Knauer has put forth the "Knauer Theory" — "The responsiveness of a firm to the consumer is directly proportionate to the distance on the organizational chart from the consumer to the chairman of the board."

- **SENATE GOVERNMENT OPERATIONS COMMITTEE.** On Sept. 28 this Committee unanimously approved a bill to establish an independent Federal agency with broad authority to act as an advocate and protector of consumer interests. The bill would also establish a three-member Council of Consumer Advisers to the President.

- **FEDERAL TRADE COMMISSION. Unordered Goods.** The FTC proposed rule banning unordered goods is unnecessary and has been cancelled. Section 3009 of the recently passed Postal Reorganization Act "makes further action in this area unnecessary." The basic provision of Section 3009 is that unordered merchandise received may be treated as a gift. **New Commissioner.** David Dennison, Warren, O., lawyer and a Republican, has been appointed by President Nixon to succeed FTC Commissioner Philip Elman. **3-Day 'Cooling Off' Period.** The FTC has published the draft of a regulation for a three-day "cooling-off" period in which the buyer could cancel any agreement to buy consumer goods or services costing \$10 or more from a door-to-door salesman.

- **FOOD AND DRUG ADMINISTRATION CONSUMER-PHONE SERVICE.** Set up eighteen months ago in three cities, the FDA Consumer-Phone Service, has recently been expanded to eight more cities. Callers dialing the Consumer Phone number get a 60 to 90 second recorded message answering questions of current interest.

- **FEDERAL CLASS ACTION SUITS.** A number of private class action test cases have been filed under the Federal Truth-in-Lending Law against some of the nation's largest corporations. The issue centers around the contention that the companies failed to properly make the interest charge disclosures as required by law.

## STATE AND LOCAL CONSUMER ACTION

- **ROUND UP OF STATE AND LOCAL GOVERNMENT CONSUMER OFFICES.** The President's Committee on Consumer Interests reports the following: Thirty-eight states now have some form of specifically designated consumer offices; in 12 of the 38 states, there are 2 or more consumer offices with divided or coordinate responsibilities; in 4 of the 38, there is a consumer office within the Office of the Governor; in 32 of the 38, there is a consumer fraud or protection agency or bureau in the Office of the Attorney General; in 15 of the 38 there is an inde-



pendent consumer protection office or department of state government, or a consumer office function within another department of the state. Additionally, 8 cities and 4 counties have reported to PCCI of establishing consumer offices with widely varying responsibilities and powers.

• **ARIZONA.** Legislation passed tightens the regulations on credit bureaus and provides the means to correct erroneous credit reports. Insurance firms are now required to join and finance a guarantee association to pay claims against insolvent insurance companies.

• **DELAWARE.** The law now requires a Guarantee Insurance Claims Fund to pay claims against insolvent insurers.

• **MASSACHUSETTS.** A new law requires that physicians include the generic name of a drug when writing a prescription for a brand name drug.

• **NEW YORK.** Attorney General Louis J. Lefkowitz reported that nearly \$700,000 was returned to consumers in money, goods and services and through the cancellation of alleged deceptive and fraudulent contracts as a result of action taken by the Bureau of Consumer Frauds and Protection during the first six months of 1970.

• **VIRGINIA.** The Assembly abolished gasoline station give-away games; restricted the mailing of unsolicited credit cards; and permitted persons to cancel within 72 hours contracts signed in the home by notifying the salesman.

• **SANTA CLARA COUNTY.** A Consumer Affairs Agency has been established within the Department of Weights and Measures. This is the first such agency in California.

### CONSUMER RESOURCE MATERIALS

**Note:** Materials listed should be ordered directly from the publisher or your local bookstore. Please do not order from ACCI.

• "What Ever Happened to Truth in Lending?" by Hugh Chairnoff, **BUSINESS REVIEW**, June 1970, 7-page article, free, Federal Reserve Bank, 925 Chestnut St., Philadelphia, Pa. 19101. The writer discusses the lack of awareness and understanding by the consumer of Truth in Lending.

• "Current Problems in Consumer Behavior Research," by David T. Kollat, James F. Engel, and Robert D. Blackwell, **JOURNAL OF MARKETING RESEARCH**, Aug. 1970, 6-page article, journal price \$3.50, American Marketing Assoc., 230 No. Michigan Ave., Chicago, Ill. 60601. This article supplements other critical evaluations of consumer research by discussing several issues and problems that impede the development of a consumer behavior research tradition. It includes 87 references.

• "A Knowledgeable Look at Consumerism," **CONGRESSIONAL RECORD**, Sept. 18, 1970, 7-page article, U. S. Govt. Print. Office, Washington, D. C. 20402. Representative John R. Rarick of Louisiana had inserted into the **RECORD** a four-part series by Mrs. Shirley Scheibla which has as its objective to link together consumer organizations, consumer leaders, the Communist party, cooperatives and unions, and to show how these groups are attempting to overthrow the capitalistic system. It is surprising that in 1970 this type of "guilt-by-association" and "McCarthy-like" technique is still being used in an attempt to discredit the entire consumer movement. The series appeared originally in **BARRON'S Magazine** Aug. 17 through Sept. 14, 1970.

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• "Meats on Sale," **CONSUMER REPORTS**, Aug. 1970, 5-page article, magazine price 60¢, Consumers Union, Mt. Vernon, N.Y. 10550. The mystery and intrigue in the meat market is presented along with 150 names of cuts for the basic 9 meat cuts!

• "Product Hazards: What can be done about them," **CONSUMER REPORTS**, Sept. 1970, 6-page article, magazine price 60¢, Consumers Union, Mt. Vernon, N.Y. 10550. This article discusses the **FINAL REPORT OF THE NATIONAL COMMISSION ON PRODUCT SAFETY**, and includes a slightly abridged form of Chapter 1 of the report, "Perspective on Product Safety."

• "Consumer Markets in Mid-1970," **FEDERAL RESERVE BULLETIN**, July 1970, 9-page article, magazine price 70¢, Div. of Admin. Services, Federal Reserve System, Washington, D.C. 20561. A study of consumer spending and saving patterns through mid-1970.

• "The morality (?) of advertising," by Theodore Levitt, **HARVARD BUSINESS REVIEW**, July-Aug. 1970, 13-page article, reprint \$1, magazine price \$2.00, Harvard Business Review, Reprint Service, Boston, Mass. 02163. "In curbing the excesses of advertising both business and government must distinguish between embellishment and mendacity." An interesting in-depth article with valuable suggestions for businessmen and consumers to consider.

• "Consumer Education," **ILLINOIS JOURNAL OF EDUCATION**, Oct. 1969, 65 pp., free, Supt. of Public Instruction, Room 302, State Office Bldg., Springfield, Ill. 62706. This issue is devoted to a survey of programs in 12 high schools in Illinois. Illinois is the only state which requires that all students graduating from high school take consumer education.

• "The Consumer Speaks Out on Auto Insurance," **JOURNAL OF AMERICAN INSURANCE**, Sept.-Oct. 1970, 4-page article, free. Two national opinion surveys provide new insights on what the public thinks about several key issues.

• "A Computer Controlled Experiment in Consumer Behavior," by G. David Hughes and Philippe A. Naert, **JOURNAL OF BUSINESS**, July 1970, 19-page article, journal price \$3.50, Journal of Business, Univ. of Chicago, 5750 Ellis Ave., Chicago, Ill. 60637. The authors' conclusion is that after exploring the feasibility of applying the techniques of a computer-controlled experiment to consumer behavior there is considerable potential in this use.



• "Why are shoppers fighting mad? Here's why!" **CHANGING TIMES**, Sept. 1970, 4-page article, magazine price 50¢, Changing Times, 1729 H St., N.W., Washington, D.C. 20006. A summary analysis of many of the complaint letters received by the President's Committee on Consumer Interests, and what can and is being done.

• "The Extra Cost of Being Poor," by Trienah Meyers, **JOURNAL OF HOME ECONOMICS**, June 1970, 6-page article, journal price \$1.25, Am. Home Economics Assoc., 1600—20th St., N.W., Washington, D.C. 20009. This article evolved from research that showed that it actually costs more to be poor — economically, educationally, psychologically, and physically.

• "A Guide to Consumerism," by George S. Day and David A. Aaker, **JOURNAL OF MARKETING**, July 1970, 8-page article, journal price \$3.50, reprint price \$1.90, American Marketing Assoc., 250 No. Michigan Ave., Chicago, Ill. 60601. A thorough and heavily documented discussion of, "What is consumerism; where did it come from, and where is it going?"

• "Product Safety: Nobody's Business," by Tom Stanton, **NATION**, Sept. 28, 1970, 3-page article, magazine price, 35¢, Nation Assoc. Inc., 333—6th Ave., New York, N. Y. 10014. A discouraging indictment of some of American industries' callous attitudes toward product safety.

• "Don't Sell the Buyer Short," **NATION'S BUSINESS**, Aug. 1970, 2-page article, magazine price \$1.00, Chamber of Commerce of the U. S., 1615 H St., N.W., Washington, D.C. 20006. Prof. John A. Howard, who has studied the consumer for years from the marketer's side, gives the consumer high marks for intelligence. This is a brief summary article of a major consumer research project supervised by Prof. Howard.

• "The One-Eyed Slicker, TV's Long Lasting Super Strength Half-Truths," by Daniel Henninger, **NEW REPUBLIC**, May 2, 1970, 3-page article, magazine price 50¢, New Republic, 1244—19th St., N.W., Washington, D.C. 20036. Case after case of the half truths of advertising and the ineffective policing of the Federal Trade Commission are related in this article.

• "Knowing What's Good for You: The Chemical Breakfast," by David Sanford, **NEW REPUBLIC**, Aug. 22, 1970, 4-page article, magazine price 50¢, New Republic, 1244 19th St., N.W., Washington, D. C. 20036. A somewhat in-depth discussion of whether nutrients should or should not be added to breakfast foods. THE answer is not given.

• "Consumerism Reaches the Crossroads," by Isadore Barmash, **NEW YORK TIMES**, Oct. 5, 1970, 2-column article, newspaper price 15¢, New York Times, Inc., 229 W. 43rd St., New York, N. Y. 10036. A summary article of the consumer movement and key names in the movement.

• "The Law Professor Behind ASH, SOUP, PUMP and CRASH," by Joseph A. Page, **NEW YORK TIMES MAGAZINE**, Aug. 23, 1970, 7-page article, newspaper price 50¢, New York Times, 229 W. 43rd St., New York, N. Y. 10036. An in-depth study of John Banzhaf and his activities as a lawyer and law professor in championing consumer causes. Banzhaf was the person who succeeded in getting anti-smoking commercials on television.

• "Peterson, Inside, Looks Out," **SUPERMARKET NEWS**, Sept. 21, 1970, 2-page article, newspaper price 20¢, Fairchild Publ., 7 E. 12th St., New York, N. Y. 10003. An interesting interview with the former Special Assistant to President Johnson for Consumer Affairs, who is now the consumer adviser to the Giant Food chain in Washington, D. C.

• "Trade Secrets: Grocers' Arcane Codes Telling Products' Age Coming Under Attack," by James MacGregor, **WALL STREET JOURNAL**, Aug. 3, 1970, 2-column article, newspaper price 15¢, Wall St. Journal, 245 Natl. Press Bldg., Washington, D. C. 20004. One of the basic points of this in-depth article is how long must games of hide-and-seek continue to be played in the supermarket. When is the consumer to get the information to which he is entitled?

• "Better Business Bureau Is Increasingly Assailed By Furious Consumers," **WALL STREET JOURNAL**, Sept. 18, 1970, 2-column article, newspaper price 15¢, Wall St. Journal, 245 Natl. Press Bldg., Washington, D. C. 20004. A fairly comprehensive discussion of complaints about the ineffectiveness of the nation's BBB's.

• "Do You Know Your Credit Rating?" by Jean Pascoe, **WOMAN'S DAY**, Sept. 1970, 5-page article, magazine price 35¢ by mail, Woman's Day, 67 W. 44th St., New York, N. Y. 10036. The writer discusses the reasons for maintaining a good credit rating, and includes a guide to help the reader to determine his own credit rating.

• **CONSUMER AND THE LAW IN CANADA**, edited by William A. W. Neilson, 1970, 538 pp., \$10.00, Osgoode Hall Law School, York Univ., 4700 Keele St., Downsview 463, Ontario. Thirty-three contributors make this a valuable source of introductory commentary and opinion on the interaction of law and the advancement of the consumer interest. The editor states, "It is neither a scholarly treatise nor an exhaustive compendium of the subject field."

• **ECONOMICS OF THE CONSUMER**, by Marc Rosenblum, 1970, 87 pp., \$3.95, Lerner Publications Co., 241 First Ave. N., Minneapolis, Minn. 55401. This is volume two in the 11-volume series **THE REAL WORLD OF ECONOMICS** and is the volume devoted to the consumer. A well-illustrated and interesting account for junior high students. The discussions are rather brief.

• **TEACHING AIDS IN CONSUMER ECONOMICS: 1970-71**, 1970, 153 pp., \$1.00, New York State Council on Economic Education, State University of New York, 135 Western Ave., Albany, N. Y. 12203. This twelfth grade guide is made up of twelve subject areas with each unit including economic concepts, suggested vocabulary, economic attitudes and abilities, activities and bibliography.

• **FROM THOSE WONDERFUL FOLKS WHO GAVE YOU PEARL HARBOR**, by Jerry Della Femina, 1970, 253 pp., \$6.50, Simon & Schuster, Inc., 630—5th Ave., New York, N. Y. 10020. A book that would probably be uproariously funny if it were not true. The consumer needs to read books such as this to better understand the assault advertising makes on him.

• **1969 SURVEY OF CONSUMER FINANCES**, by George Katona, et al., 1970, 331 pp., \$7.00 clothbound, \$5.00 paperbound, Institute for Social Research, Univ. of Michigan, P. O. Box 1248, Ann Arbor, Mich. 48106. The tenth edition in the continuing study of consumer finances and consumer sentiment, and the reasons for consumer optimism and pessimism.

• **THE CONSUMER IN THE MARKETPLACE**, by Leon Levy, Robert Feldman and Simpson Sasserath, 1970, 470 pp., \$7.33, Pitman Publ. Corp., 6 E. 43rd St., New York, N. Y. 10017. An illustrated high school text divided into 50 teaching units which include questions, projects and consumer arithmetic problems.

• **FINANCE FACTS YEARBOOK**, 1970, 72 pp., free, Natl. Consumer Finance Assoc., 1000—16th St., N. W., Washington, D. C. 20036. This booklet is a convenient reference for statistical information on the consumer's employment, finances and use of credit.

• **A LIST OF WORTHWHILE LIFE & HEALTH INSURANCE BOOKS**, 1970, 80 pp., 25¢, Institute of Life Insurance, 277 Park Ave., New York, N. Y. 10017. A rather comprehensive, annotated listing of a variety of resource materials.

• **INFORMATION FOR CONSUMERS**, 1970, 26 pp., 25¢, World Council of Credit Unions, P. O. Box 431, Madison, Wis. 53701. This is a "Complaint Directory." Two pages tell how to file a complaint, and 24 pages give addresses of Federal and state agencies, state consumer organizations, and then names and addresses of the major consumer products manufacturers in the U. S. and Canada.

• **CREDIT COUNSELING TRAINING HANDBOOK**, 1970, 87 pp., \$15.00, Credit Counseling Centers, Inc., 17000 W. Eight Mile Rd., Southfield, Mich. 48075. This **HANDBOOK** represents the work of 20 counselors and staff having a cumulative credit counseling experience of over 65 years. This should be of value to persons such as clergy, credit counselors, and educators working with the poor and the indebted.

• **TEACHING ABOUT DRUGS: A Curriculum Guide, K-12**, 1970, 203 pp., \$4.00, Am. School Health Assoc., ASHA Building, Kent, Ohio 44240. This curriculum guide has been published by the Am. School Health Assoc. and the Pharmaceutical Mfgs. Assoc. Suggested curriculum, reference materials and many illustrations make this a comprehensive guide.

• **BIBLIOGRAPHY OF RESEARCH ON CONSUMER AND HOMEMAKING EDUCATION**, by Anna M. Gorman and Joel H. Magisos, 1970, 71 pp., order number ED 039 336, Microfiche 50¢, hard copy \$3.55, ERIC Doc. Reproduction Service, Natl. Cash Register Co., 4936 Fairmont Ave., Bethesda, Md. 20014. The 168 entries of research published from 1959-69 are classified as follows: consumer education; disadvantaged; evaluation; homemaking education; research methodology; teacher education; vocational education; and wage-earning home economics. All documents are available in microfiche or hard copy from ERIC.

• **UNIFORM CONSUMER CREDIT CODE (UCCC)**, by R. L. D. Morse and W. R. Fasse, 1970, 80 pp., \$6.00, Dept. of Fam. Econ., Kansas State Univ., Manhattan, Kan. 66502. Statements and position papers, prepared for a Kansas Legislative Study Committee. These statements are an article-by-article critique of the UCCC.

• **DIRECTORY OF GOVERNMENT AGENCIES SAFEGUARDING CONSUMER AND ENVIRONMENT**, 1970, 3rd Ed., 89 pp., \$4.95, Serina Press, 70 Kennedy St., Alexandria, Va. 22305. Contains state-by-state listings of federal and/or state officials with jurisdiction in each state over food and drugs, meat and poultry, pesticides, air pollution control, consumer protection, fraud and deceptive practices, weights and measures, and a number of other areas.

• **CANADIAN CONSUMER COUNCIL — FIRST ANNUAL REPORT**, Dec. 31, 1969, 29 pp., free, Canadian Consumer Council, Box 94, Ottawa 2, Canada. This is the report of government-appointed Council which advises the Minister of the Department of Consumer and Corporate Affairs, but retains the right to publish its views as it sees fit.

• **THE CONSUMER REVOLUTION**, 1970, 63-frame, 35mm slide set, color, 15 min., with or without narration tape, script, slide set \$15.00, tape \$5.00, script—single copy free, Audio-Visual Dept., Chamber of Commerce of the United States, 1615 H St., N.W., Washington, D. C. 20006. A very stimulating slide set for businessmen to encourage them to meet the consumer revolution by improving the marketplace for the consumer. A very frank presentation.

#### ITEMS OF GENERAL INTEREST

• **HUNGARIAN CONSUMER ADVICE**. "Nagyito" ("Magnifying Glass") is the first consumer magazine in Eastern Europe that can be compared with its uninhibited Western counterparts. The first issue has already stepped on many toes — capitalist and communist. Its aim — "to put pressure on industry and trade" by guiding consumers in "refusing to buy certain articles and waiting until goods of better quality are made." (*NEW YORK TIMES*, Sept. 6, 1970, p. 15.)

• **BILL-CUTTING AD**. New Zealand policemen investigating an advertisement asking the equivalent of \$3 for a "tested and proven" method of cutting household bills by half found that the advertiser intended to send a pair of scissors to people answering the ad. (*NEW YORK TIMES*, Sept. 30, 1970, p. 23.)

AMERICAN COUNCIL ON CONSUMER INTERESTS  
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Columbia, Missouri 65201

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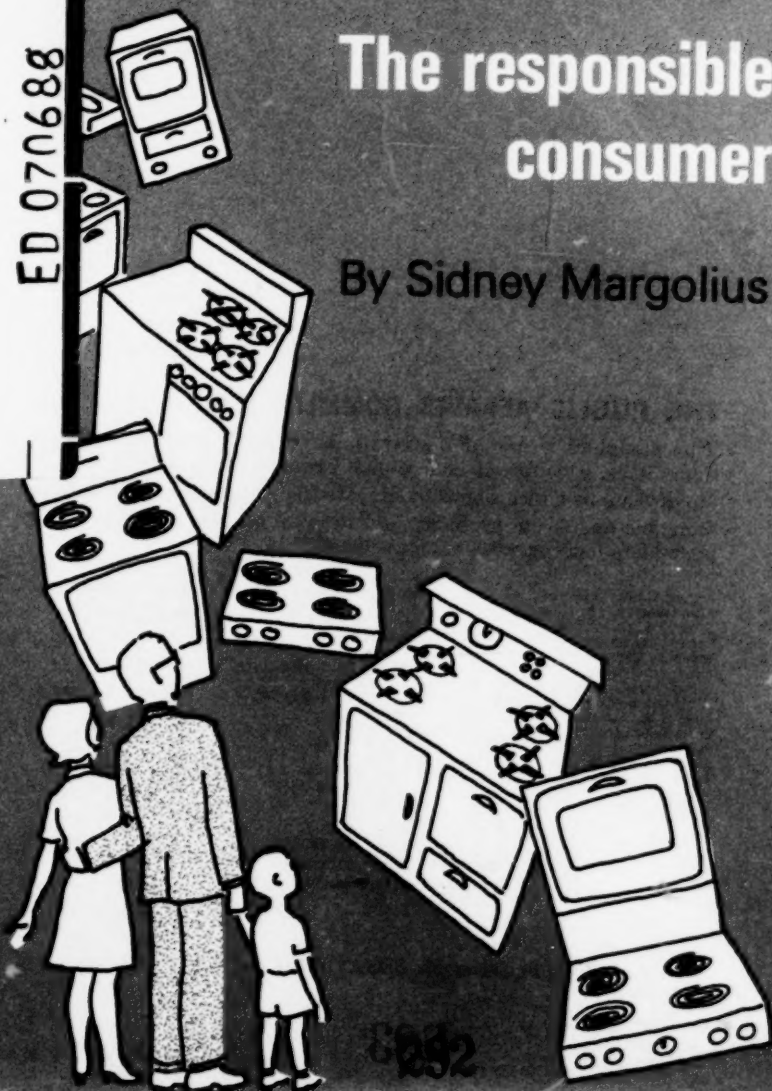
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Public Affairs Pamphlet No. 453 25c

# The responsible consumer

By Sidney Margolius

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## The responsible consumer

By Sidney Margolius

*One of the country's leading experts on consumer problems, Mr. Margolius writes a syndicated column which appears in 110 newspapers and is author of a best-selling book, The Consumer's Guide to Better Buying. He is active in a number of consumer organizations, and has served on the National Commission on Product Safety and the President's Consumer Advisory Council. . . . Illustrations by Visual Services, Inc.*

THIS HAS been called "the age of the consumer." Never before have consumer problems and needs received so much attention from community organizations, legislators, educators, and newspapers and other media.

- Consumer organizations have grown in number, size, and influence.
- Government agencies are increasingly active in protecting consumers.
- High schools and colleges now offer more courses in consumer education.
- Congress and various state legislatures have enacted, or are considering, laws aimed at redressing a number of long-standing consumer grievances. Some of these new laws are aimed at preventing outright frauds. Others are intended to make it easier to compare values in an age of increasingly complex merchandise, and to avoid the traps of high-pressure advertising and selling.

This new awareness of your rights and needs as a consumer stems from the realization that how you spend your money is quite as important as how you earn it. How you spend your money affects both your own welfare and that of society in general. Waste of family resources through lack of information or through deception means waste of national resources too.



Let us examine why, in relatively affluent times, consumer problems have become a matter of such widespread concern.

### **dilemmas of a modern consumer**

Affluence itself affects the marketplace. People with more money to spend have a tremendous variety of goods and services offered to them. While consumers have more choices, they are less familiar with what is available. A generation ago, in buying a washing machine you could choose only among several simply constructed wringer-types. But now you must choose among a much larger number of models with varying degrees of automaticity and other features. As basically simple a device as a refrigerator has become a buying puzzle with a choice necessary not only in make and size but also among frostless, semifrostless, top-, bottom-, or side-freezer compartments, and so forth. Cars are manufactured in an array of makes and models (with scores of optional features) confusing to a consumer.

Because machines today are so complicated, they frequently need servicing. Quality and warranties, therefore, have taken on added importance. The cost of servicing has become an inexorable budget expense, with frequent model changes adding to possible defects and to repair costs. (One large appliance manufacturer maintains an inventory of 61,000 different styles of replacement parts for the hundreds of models of just its own products.)

You even have to be more knowledgeable in buying foods and household products because of their additional processing and added features. Commonplace products such as detergents and cleansers have become a problem in selection, with consumers bewildered by many different types claiming frequent improvements and added "magic" ingredients, even if only "more ammonia."

Similarly, the vaunted variety and convenience of modern foods have brought a host of new buying problems. You can buy as ordinary a product as oatmeal in "quick," "instant," and what can only be called "instant-instant" versions, and with a variety of added flavorings, and in a variety of sizes. Depending on which you choose, you can pay anywhere from a nickel to 20 cents for servings for a family of four.

You can pay from 22 cents to 45 cents a pound for bread, depending on the size, brand, and even the shape. In fact, in a

typical supermarket today you would have to make your choice among 31 different types of bread and eight different weights. In milk, meats, frozen vegetables, and many other staples the same proliferation of new processed versions has occurred.

With the advent of a large number of ready-to-eat foods even their nutritional value has become suspect. More fat is added to processed meats (frankfurters and bologna now usually have close to 30 per cent added fat); sugar is added to ready-to-eat cereals (presweetened cereals are 45 per cent sugar); and water is added to many foods ("ades" and "punches," processed meats, frozen poultry, to mention a few).

The proliferation of more-complicated products also has aroused concern over safety. Earlier generations did not worry about the hazards of power mowers and tools and television sets. There were no such products. Then, for example, TV sets were manufactured and they introduced both a fire and a shock hazard into the home. The advent of color sets increased the fire hazard and brought a new danger—radiation. The new microwave ovens cook foods in minutes but have introduced still another radiation hazard if there are defects in design. Detergents with added phosphates for hard-water areas intensified pollution problems. "Miracle drugs" sometimes bring dangerous side reactions. More factory processing of food has increased the incidence of salmonella infection.

### **lost in a world of money**

Another area of consumer problems involves the complications of today's money world. Young people now must cope with car financing, other installment contracts, all kinds of insurance, mortgages, and home-improvement contracts. The wide availability of consumer credit has led to high-pressure merchandising tactics and often serious personal financial problems. Many families find it difficult to handle credit transactions economically and safely, not only because of lack of familiarity but also because state laws governing credit transactions usually tend to favor the seller and lender. Present laws derived from a time when credit was not used nearly so widely as now and was not promoted by sellers so enthusiastically, and even so recklessly, as it is today.

### **new laws to protect you**

During the 1960's and early in 1970 a number of new laws were passed by both federal and state governments to help stem the enormous waste of family money which results from lack of information and from outright deceptions. If you aim to be a responsible consumer, you need to know what laws may or may not protect you when buying, and how to put these laws to work effectively for you.

The urgent nature of credit problems was the reason for recent consumer legislation providing more protection against deceptive finance practices. Most noteworthy is the federal truth-in-lending law, enacted in late 1968, which requires lenders and sellers to tell buyers and borrowers the *annual* percentage rate they must pay for installment plans and borrowing, not merely the monthly rate or the dollar amount of finance charges.

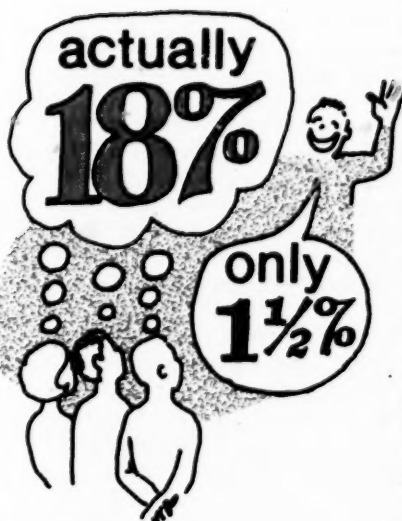
Thus, you now have a yardstick for comparing how much various lenders and sellers charge you for credit. For example, a fee of  $1\frac{1}{2}$  per cent on a department-store "revolving" or "budget" charge account really amounts to a rate of 18 per cent a year; a rate of 3 per cent a month for a small loan is the equivalent of 36 per cent a year; a yearly charge of \$7 per \$100 of original balance to finance a car, or \$10 per \$100 to finance a household appliance, amounts to a true annual rate of approximately 14 and 20 per cent respectively.\*

State and local governments also have accelerated passage of consumer protection laws. A number have enacted so-called "cooling off" laws, giving consumers from 24 to 72 hours to cancel contracts made with door-to-door salesmen.

The federal truth-in-lending law also gives consumers three days to cancel an installment purchase or home-improvement contract if it involves a security interest on a home, such as a second mortgage.

Several states also have softened or eliminated altogether the "holder in due course" laws. These laws absolve finance companies of any responsibility for lack of promised performance by mer-

\*Since this type of loan is repaid monthly, the average debt is only about half the original amount, or approximately \$50 in this case, and a fee of \$7 for the original \$100 thus is the equivalent of a true annual rate of about 14 per cent; and a fee of \$10 per \$100 of original debt thus is the equivalent of an annual rate of about 20 per cent.



chants from whom they have purchased the installment contracts. Because of such laws, consumers sometimes found they had to continue paying installments even though the merchandise proved to be defective. In one Eastern state there were 29 complaints against a single home-improvement company. These involved defective work, noncompletion, and violation of written guarantees. The company went out of business, but the homeowners still had to pay the finance companies that had bought their installment contracts an average of \$1,500, plus interest, for shoddy and sometimes incomplete jobs.

In another instance a firm that sold sides of beef which it prom-

ised to freeze and store for its customers, thus eliminating the need to buy a freezer, went out of business. The families who had signed installment contracts to pay for the beef found they had to pay the balance due, plus interest, to a finance company even though they lost the rest of the meat the defunct freezer firm was storing for them.

While there is a growing feeling among consumer-minded legislators that finance companies and banks that take over installment contracts should be held responsible for the good faith and performance of the sellers, most states still have the "holder in due course" law on their books. Carefully read the contract you are asked to sign. If it contains a clause to the effect that *the buyer agrees not to assert against an assignee (a finance company or bank) a claim or defense arising out of the sale*, you had better be sure you are dealing with a reliable seller.

A third credit law that the federal and state governments have been moving to ameliorate permits creditors to garnishee debtors' wages. Even the threat of garnishee sometimes has had the effect

of coercing working people to pay controversial debts because many employers fire garnisheed employees. The federal truth-in-lending law prohibits firing for one garnishment. A few states forbid garnishment firings altogether, and several do not allow garnishments at all.

Another law enacted recently by the federal government is the so-called truth-in-packaging law, which became effective in 1969. Designed to help consumers more readily compare values, this law requires that food packages display their net contents on the front face in reasonably large type. The law also requires that manufacturers must specify the size of the servings if they say how many servings the package provides: for example, "8 half-cup servings."

The law also directed the U.S. Commerce Department to work with food manufacturers to reduce the number of different-sized packages for the same item. The proliferation of sizes, often in other than standard weights such as a pound or pint, has resulted in much shopping confusion. For example, manufacturers agreed to reduce the number of salad oil container sizes from 15 to 7;



the number of detergent package sizes from 24 to 6; the various jar sizes of jellies and preserves from 16 to 10.

Other important federal consumer-protection laws enacted in recent years include safety regulations for cars, tires, flammable fabrics, and children's toys, and the especially significant 1962

Drug Amendments to the U.S. Food, Drug, and Cosmetic Act. Drug manufacturers, for the first time, are required to prove through tests that the drugs they market are not only safe but also *effective* for the prescribed purpose.

### **representation in government**

Consumer organizations and spokesmen have sought greater representation for consumers in government decision-making. Government policies can have a decisive influence on the price and quality of the necessities you buy; for instance, by deciding how much of any one crop may be produced or marketed, and what price the processors pay farmers for milk. Moreover, federal and state agencies responsible for administering consumer-protection laws may need prodding to be more active. Sometimes they even become captives of, or take a "client" attitude toward, the industries they are supposed to regulate.

By 1970 some 30 states had established specific consumer-advocate programs, frequently as part of the state attorney-general's office. As of 1970, consumers were represented in the federal government by a Consumer Assistant to the President, but a permanent federal agency was being widely urged.

### **HOW YOU CAN HELP YOURSELF**

You cannot depend entirely on laws to protect you in your consumer role. For one reason, laws take a long time to move through Congress or state legislatures. Before a truth-in-lending law could be enacted, 20 years of educating the public were necessary, and another six years were required for passage. Proposals for consumer protection are usually fought intensely by business associations and lobbyists, and sometimes are weakened seriously before enactment. The original truth-in-packaging proposal sought to require that all foods and household products be packaged in standard sizes such as a pound, half-pound, pint, or quart, which would have simplified value comparisons. But a strenuous campaign by the food industries succeeded in eliminating this valuable feature.

Another reason why you can't depend just on laws to protect you is that Congress or the states sometimes pass protective laws



but then provide few or no funds for their enforcement. Two years after truth in packaging had been enacted, a staff of two persons was endeavoring on a budget of only \$50,000 to do the massive work outlined in the Act.

The 1967 Amendments to the Flammable Fabrics Act are another example of public-spirited intentions that were undercut by lack of funds. The amendments empowered the government to tighten the restrictions on the flammability of clothing and home furnishings. But no funds at all to administer the law were appropriated in 1968. The law *authorized* \$2.5 million for fiscal 1969 but only one-tenth of that amount — \$250,000 — was actually appropriated.

### **three hats of the responsible consumer**

A person aware of both the personal and the social need to be a responsible consumer must wear three hats.

1) *You need to know what laws and regulations protect you, and how to use them.* The truth-in-lending law requires that the contract state the annual percentage rate. But there is no way to police oral statements of sellers and lenders. Many continue to use orally the old confusing ways of stating finance charges, such as "\$6 per \$100." Thus, unless you know enough about the legal requirements to ask the annual percentage rate, you won't enjoy the full benefit of having this yardstick to compare credit fees among various sellers and lenders.

Many consumers fail to use even the limited information presently available to them on labels and packages. For example, federal fiber-identification laws require that labels tell you the kind and amount of each fiber in all fabrics. This is an important aid to selecting fabrics best suited to your intended use, *if* you take time to check labels for this and also for such other essential information as the amount of preshrinkage and the degree of colorfastness.

With so many processed and packaged foods available today, it is especially important to read the list of ingredients on labels to know what you are getting in food value. Federal regulations require that, if there is no government standard of identity for a food product, the ingredients must be listed on the label in order of quantity. Therefore, the label on one brand of canned

beef stew may state, "beef, potatoes, tomatoes," etc.; another, "potatoes, beef, tomatoes"; and a third, "water, beef, potatoes." A purchaser can easily note that one provides more beef than the others, and in another, water is the leading ingredient.

Similarly, a product labeled "Chicken with Noodles" has more chicken than one labeled "Noodles with Chicken."

2) *You need to participate in consumer organizations*, both to help them represent your interests to government and to take advantage of the consumer education and information these organizations can provide. Consumers have come to realize that without greater organization their voices will not be heard in

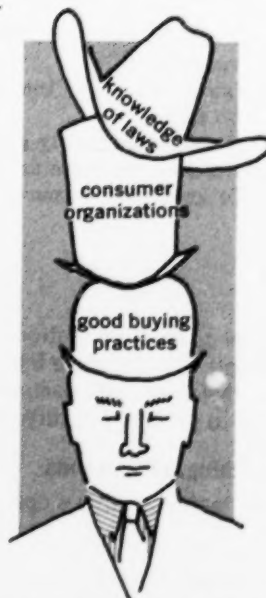
government above the clamor of the many business lobbyists clustered around Congress and the state legislatures.

Consumer organizations have proliferated and expanded at an unprecedented rate in recent years. They range from housewives' "boycott" groups, which have had a useful effect in dramatizing protests against high prices, to more permanent groups that function as consumer legislative lobbyists, among other activities. Some of these associations and agencies are listed in the section on *Where to Get Help*, at the end of this pamphlet.

3) *You need to be a competent consumer yourself*, always aware that your efforts to improve your own standard of living need as serious attention to how money is spent as to earning it.

### getting the most for half a million dollars

An estimated half a million dollars in total lifetime earnings will pass through the hands of a typical young couple getting married in the 1970's. If skilled buying and management can save even



10 per cent of that sum, they can improve their standard of living considerably.

A family aware of the need for consumer competence really has two tasks:

- To decide on family goals and tastes and then plan its spending to make sure these are taken into account.
- To know how to purchase the greatest value for its money.

## calendar of

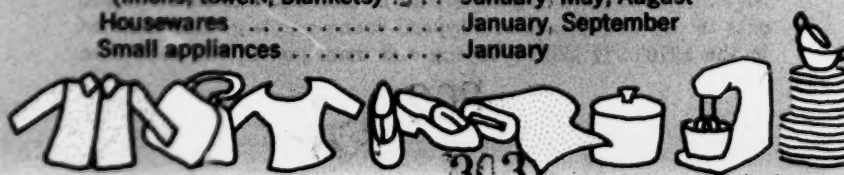
With special promotional sales occurring at any time, many people do not realize that sales and clearances of specific goods are held regularly each year. The sales calendar below can help you to plan your future purchases wisely.

### clothing, piece goods

|                                   |                                      |
|-----------------------------------|--------------------------------------|
| Women's, children's coats . . . . | April, August,<br>November, December |
| Furs . . . . .                    | January, August                      |
| Dresses . . . . .                 | January, April, June                 |
| Lingerie, housecoats . . . . .    | January, May, July                   |
| Hosiery, handbags . . . . .       | January, July                        |
| Active sportswear . . . . .       | January, July                        |
| Millinery . . . . .               | January, April, July                 |
| Children's wear . . . . .         | July, December                       |
| Men's shirts, haberdashery . . .  | January, July                        |
| Men's and boys' suits . . . . .   | April, August, December              |
| Men's coats . . . . .             | January, August                      |
| Shoes . . . . .                   | January, July                        |
| Piece goods, fabrics . . . . .    | June, September, November            |

### home goods

|                                                   |                      |
|---------------------------------------------------|----------------------|
| Furniture, rugs, bedding . . . . .                | February, August     |
| White Sales<br>(linens, towels, blankets) . . . . | January, May, August |
| Housewares . . . . .                              | January, September   |
| Small appliances . . . . .                        | January              |



When used consistently, a number of practices can save you money. These include:

- 1) Compare prices of items in different stores before making purchases.
- 2) Time your buying to take advantage of annual sales. (The *Calendar of Sales*, below, tells you when they occur.)
- 3) Buy according to intended use. When buying food, for ex-

### annual sales

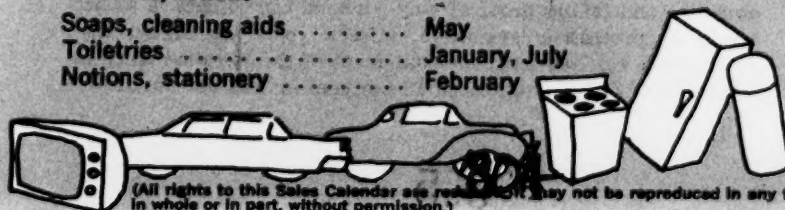
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| Hardware, paints . . . . .        | August, September                  |
| Building materials, lumber . . .  | June                               |
| Drapes, curtains . . . . .        | February, August                   |
| China, glassware . . . . .        | February, September                |
| Refrigerators, freezers . . . . . | January, July                      |
| Ranges . . . . .                  | April, November                    |
| Washing machines . . . . .        | March, April, May, June            |
| Clothes dryers . . . . .          | January, February,<br>March, April |
| Air conditioners . . . . .        | February, August                   |
| Television sets . . . . .         | May, June                          |
| Water heaters . . . . .           | January, November                  |
| Fuel oil . . . . .                | July                               |

### cars and accessories

|                                             |                                     |
|---------------------------------------------|-------------------------------------|
| New cars,<br>current-model clearances . . . | September                           |
| Used cars, price reductions . . .           | February, November, December        |
| Tires . . . . .                             | May, late August<br>(pre-Labor Day) |
| Batteries, mufflers . . . . .               | September                           |
| Seat covers . . . . .                       | February, November                  |

### toiletries, notions

|                                |               |
|--------------------------------|---------------|
| Soaps, cleaning aids . . . . . | May           |
| Toiletries . . . . .           | January, July |
| Notions, stationery . . . . .  | February      |



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ample, select Grade A products if appearance is important, but choose lower-cost B and C grades for cooked dishes.

4) Buy according to grade and specification. Brand names and higher prices do not necessarily mean significantly higher quality. (For example, if a number of brands of frozen juice concentrate are all labeled "U.S. Grade A," or if all aspirin tablets are labeled "U.S.P." [meaning, they meet the standards of the U.S. Pharmacopoeia], a consumer can be assured of getting the same basic quality regardless of the price.)

5) Buy on the basis of nutritive values. These days, especially, this means checking the ingredients listed on the package. Also, buy basic foods rather than processed versions. (Usually each additional step in processing increases the cost — sometimes moderately but often sharply. If chicken is cut into parts, you pay 5 per cent more than for a whole chicken. If the parts are already breaded for frying, you pay 50 per cent more. If the chicken is already fried you pay 90 per cent more.)

6) Buy in bulk to take advantage of the lower costs of larger sizes of groceries, some meat products, soaps, and toiletries. Usually, although not always, you can save 10 to 20 per cent over the cost of smaller sizes.

7) Seek basic quality rather than deluxe features. (Merchandise usually falls into three price classes: low end, moderate price, and high price. A manufacturer may make washing machines at three price levels. While the "low-end" model may lack some useful features, the medium-priced model will have all the essential features of the deluxe model.)

8) Pool your buying with others. This can reduce cost significantly by enabling bulk purchases at lower prices. (This practice can be as informal as several families sharing a large purchase of garden supplies or cases of canned goods, or more permanent arrangements, such as buying associations that arrange with local merchants and fuel suppliers for discounts, or the co-ops described later, in the section *Where to Get Help*.)

9) Finance family needs at lowest costs. This is an important objective and telling proof of why personal competence is as necessary as protective legislation. (Credit costs are higher than most people realized until the enactment of the so-called truth-in-lending law. Costs range from 12 per cent or less per annum for

credit-union and some bank loans, to as much as 30 to 42 per cent at small-loan companies and for some finance charges on used cars. For a \$500 loan or installment credit, you can pay anywhere from \$30 to \$230, depending on where you arrange the credit and how long you take to repay.)

### **educational resources**

Although the facilities for consumer education vary considerably in quality and availability, there now are many more places where you can learn how to be a responsible consumer.

Growing consumer awareness, especially during periods of inflation, has noticeably stimulated the initiation or expansion of consumer education courses in high schools and colleges. In addition to courses devoted entirely to home economics and consumer affairs, there has been a growing tendency to include consumer information in the teaching of other subjects, such as math and the sciences.

Some state education departments have developed curriculum guides and lists of consumer education materials. Illinois has taken the most advanced step by enacting a law requiring that all public schools give consumer education courses.

For adults, many local adult-education programs, public libraries, and community groups (such as women's associations) now also offer consumer courses and materials. Labor unions, credit unions, and antipoverty organizations also often offer consumer courses and counseling.

Consumer education courses usually comprise training in both money management (including budgeting, buying insurance, and credit management) and buying practices (how to purchase foods, cars, clothing, appliances, homes, and so on.)

Other sources of consumer education materials include the government agencies listed below.

### **WHERE TO GET HELP**

One of the most frequent problems that consumers face is knowing where to get guidance in buying, and help against unfair treatment. Specific buying information is at best both limited and generalized, and the sources of help in obtaining redress are



seriously fragmented. The search for assistance often has to be pursued among several agencies of federal, state, and local governments.

An increasing number of government agencies and community groups have developed consumer assistance programs. Fragmented and incomplete as they are, they should be used more, and the responsible consumer will take full advantage of them.

Some of these public and private agencies offer both preventive and remedial help. The wisest way to use them is *before* you make any large purchase or enter into contracts of *any* kind, particularly installment and insurance contracts.

**BETTER BUSINESS BUREAUS.** These are private agencies sponsored by businessmen themselves. They can be found in many, but not all, cities. In some towns the local Chamber of Commerce may be able to help you, or refer you to the nearest BBB. The Bureaus are especially useful for checking on the reputation of sellers, repair services, insurance companies, investment and land promoters, and correspondence schools. They cannot tell you, for example, whether a particular insurance policy is a good value. But they can tell you if they have any record of complaints against specific companies.

**STATE OR COUNTY ATTORNEY.** If you have been defrauded, you should seek redress through your state attorney general or the county or city district attorney. Oral misrepresentations are hard to prove (it is your word against the seller's). Still you need to try. A conscientious attorney general will at least make a sincere effort to mediate, and may be able to effect a settlement. Furthermore, his investigation may help protect others by developing a basis for forcing a discontinuance of the unfair practices. The more supporting documentation you have, such as contracts, letters, and other documents bearing on the transaction, the better your chance of redress.

Some states have expanded the office of attorney general or district attorney to include a specific bureau to handle consumer frauds and protection. The kinds of complaints such bureaus usually investigate include "bait" advertising (when a seller tries to avoid selling you an item advertised at a low price); false advertising or labeling; misrepresentation, as in home-improvement deceptions; selling under false pretenses, such as purported

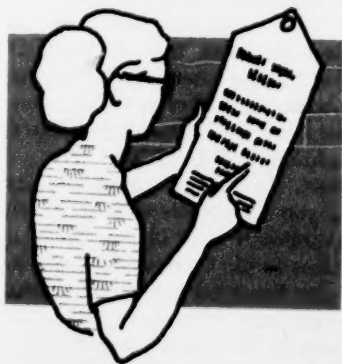
employment and business opportunity ads really intended to sell you merchandise; deceptive practices by correspondence or vocational schools; deceptive real-estate offers, among others.

**STATE, LOCAL CONSUMER AGENCIES.** In most states and cities specific consumer-protection activities still are widely distributed among a number of agencies. In some states the State Labor Department may be responsible for accurate labeling of upholstered goods and bedding; the State Agriculture Department for accurate grading of foods; city or county markets departments may be responsible for insuring honest advertising and policing weights and measures in their localities.

To provide more direct consumer guidance and representation, an increasing number of states are establishing state consumer councils or counsels. Such agencies are broader than the consumer fraud bureaus of state attorneys' offices, described above. For example, Massachusetts, Rhode Island, and Connecticut have established Consumer Councils or separate Departments of Consumer Protection. They work with the state attorneys to stop fraud and carry on education and referral activities that can help direct your problem to the proper state agency. Sometimes they are able to intervene with the seller to obtain redress. They may also intervene on behalf of consumers before public utility commissions and other state agencies. Increasingly, they use a legal device called a "class action" suit to secure an injunction against

a widespread deception and to obtain redress for all consumers who have been defrauded by that practice.

A source of help, if you have a complaint about a misrepresentation by a local store or service firm, is your city or county markets department. Some of these, while still responsible mainly for policing weights and measures and licensing of specified service facilities, now also have expanded into more comprehensive consumer protection agencies, as has



happened in New York City, Chicago, and Nassau County, New York.

**STATE INSURANCE DEPARTMENT.** If you want information about the reliability of an insurance company, or believe that you have been deceived or treated unfairly in buying or making a claim for life, health, auto, or property insurance, the place to inquire or to make your complaint is the state insurance department in your state capital. Make sure that any insurance company you deal with is licensed in your state. Licensing standards and the degree of regulation vary widely among the states and both are especially weak in several Midwest states where many mail-order insurance sellers are located. Your own state department may not be able to act effectively on your behalf if the insurance company is not licensed by your state.

**STATE BANKING DEPARTMENT.** The banking department or the department of financial institutions at your state capital usually is the agency to call upon if you believe you have been charged an excessive credit fee, or trapped into signing a blank contract. You are fortunate if yours is one of the several states that require sales finance companies to be licensed so that the state banking department has an effective weapon against such deceptions.

**PRESIDENT'S ASSISTANT FOR CONSUMER AFFAIRS.** The President's Consumer Assistant can supply information on consumer legislation, bibliographies of consumer education materials, the names of federal agencies and private organizations that can provide information on specific problems, and the addresses of local consumer organizations. This office also often calls the attention of business firms to specific complaints received from consumers. Address: President's Assistant for Consumer Affairs, Federal Office Building No. 7, Washington, D.C. 20500.

**FEDERAL TRADE COMMISSION.** The FTC cannot act for you to retrieve your money when you are deceived. But it can investigate and seek to halt the practice if it is illegal. Thus, it is important to call deceptive practices to the Commission's attention to help stop them. The FTC also has a cooperative program for calling the attention of state and local officials to unfair or deceptive practices that occur primarily in intrastate commerce. Another important responsibility of the FTC is the policing of

credit advertising under the truth-in-lending law. The FTC has offices in some of the largest cities, or complaints may be made to the Federal Trade Commission, Washington, D.C. 20580.

**POSTAL AUTHORITIES.** The Post Office has authority to act against sellers who use mails for fraudulent promotions such as referral plans (which promise bonuses for sales made to your friends), deceptive advertising of merchandise, and real estate and investment schemes. You can complain to your local postmaster, who will notify the postal inspectors.

**FOOD & DRUG ADMINISTRATION.** This agency has jurisdiction over drugs and health devices sold with deceptive or unproved claims; contaminated or adulterated foods, drugs, and cosmetics; food standards and labeling; hazardous household substances; safety of chemical additives in foods; and in general administers the federal food and drug laws. It also administers the packaging law requiring clear labeling of net contents of foods and toiletries. FDA consumer consultants attached to its district offices are available for consumer education assistance to community organizations. The FDA district offices are located in the larger cities. Information and materials also are available from the Food and Drug Administration, Washington, D.C. 20204.

**U.S. AGRICULTURE DEPARTMENT.** This department establishes grades for foods and provides booklets on food buying and home management. For a list, write to Office of Information, USDA, Washington, D.C. 20250.

The federal-state extension service works with families to provide consumer information and homemaking courses and services. Information is available from the extension home economist at your county government office. You can get a free pamphlet, *Extension Home Economics, How It Works*, from the Federal Extension Service at the USDA in Washington.

**FEDERAL HOUSING ADMINISTRATION.** This agency can supply pamphlets on buying and financing homes and improvements. Its address is Federal Housing Administration, Washington, D.C. 20411. FHA also maintains a list of contractors who have shown evidence of unreliability. The FHA is concerned with the problem because it insures many of the loans for home improvements. These lists may be inspected at a local office of the FHA. If there is no office in your area, most banks, savings and

loan associations, and credit unions which make FHA home improvement loans have copies of this list, and they can advise you on the reputation and competence of local contractors. The FHA also will investigate and intervene if a contractor does not live up to his agreement on a job financed with an FHA loan.

**LEGAL HELP.** A moderate-income family that has been treated unfairly by a seller is likely to be stymied by the cost of hiring a lawyer, which is necessary when government agencies are unable to act. Many consumers have found themselves compelled to pay fraudulent debts because legal help would cost more than the debt. There is no doubt that a lawyer can often obtain better treatment, compromise settlements, and fairer return on the resale of a repossessed article.

The most experienced sources of legal help for consumer problems probably are the legal aid societies. Check your telephone directory or ask the county bar association for the address. Free legal aid, however, is available only to the poor. If you can afford to pay legal fees but do not have your own lawyer, ask your local bar association Lawyer Referral Service for the name of a lawyer specializing in the kind of problem you have. There is a fixed fee, usually \$5 to \$10 for a half-hour consultation. If more work is needed, the lawyer can estimate the probable cost.

Low-income families also can get help from neighborhood legal centers operated by economic opportunity and community action programs. They have become expert in handling installment, home-repair, and other consumer problems.

Another inexpensive way to secure redress for small amounts is the small claims court in most localities. You can get a summons and have a hearing without the services of a lawyer. But the claims handled are truly small. Some states permit small claims courts to try claims up to \$300; others, only \$150 or less.

**COOPERATIVES.** Consumer-controlled cooperatives offer one of the most direct forms of help through consumer control of costs and quality, and also are a leading source of very practical consumer information. There are many different kinds of consumer-owned co-ops: supermarkets, pharmacies, optical services, housing developments, insurance services. There are hundreds of co-ops, and they are especially numerous in the area around Washington, D.C.; the Berkeley-San Francisco area; in New

York City-Northern New Jersey; and in the North Central States such as Wisconsin, Minnesota, and Michigan. There also are a number in New England and the Midwest. But not all areas have them. You can find out what co-ops there are in your locality from the nearest wholesale cooperative. For its address, write the Cooperative League of the U.S.A., 59 East Van Buren Street, Chicago, Illinois 60605.

An organization that can provide information about housing cooperatives is the FCH Company, Inc., a subsidiary of the Foundation for Cooperative Housing. FCH has its main offices at 322 Main Street, Stamford, Connecticut 06901, and branch offices at 1001 15th Street, N.W., Washington, D.C. 20005; 1900 Book Building, Detroit, Michigan 48226; 333 North Pennsylvania Avenue, Indianapolis, Indiana 46204; 210 Puritan Building, 13th and Oak Streets, Kansas City, Missouri 64106, and 69 West Washington Street, Chicago, Illinois 60602.

Operating in the New York area are the United Housing Foundation and the Association for Middle Income Housing, both in New York City; in Chicago, the United Dwellings Foundation.

Group medical and dental plans, providing comprehensive care for an annual fee, also are available in some cities. There already are some 200 group medical plans in the United States and Canada. Some enroll only groups; others accept individuals too. To find out those in your area, write Group Health Association of America, 1321 14th Street, N.W., Washington, D.C. 20005.

**LABOR UNION SERVICES.** Unions give their members two kinds of consumer assistance: referral services and, to an increasing extent, legal and consumer guidance, especially in workmen's compensation, garnishees and other credit problems, and in some cases even income taxes. Some unions and central labor councils now also sponsor pharmaceutical and optical services, insurance programs, and low-cost housing for their members.

Many union locals and all central councils have community services representatives. These are counselors, either full- or part-time, trained to advise families where to go for help with family, health, legal, and other personal problems, and also often providing consumer guidance and consumer education courses.

**CREDIT UNIONS.** These member-operated organizations provide several kinds of consumer assistance in addition to their



main function of offering savings accounts and loans for members. Credit unions often make low-cost consolidation loans to pay urgent debts on which members may be paying higher interest rates. Many credit unions also have debt-adjustment services, either formal or informal, to help members avoid garnishment, repossession, or other serious debt problems. They also can advise on the reliability of local sellers such as used-car dealers and contractors; on the reasonableness of credit fees, and on fairness of contracts you are asked to sign.

**CONSUMER ASSOCIATIONS.** There now are statewide consumer associations in most states, and citywide associations in some of the larger cities. They represent consumer interests to state legislatures, and to government agencies and utility commissions. They can advise on the need and status of consumer-protection legislation in your area, and also can advise on where to get help with specific consumer problems. Their membership often includes other organizations such as labor unions, co-ops, credit unions, farm organizations, senior-citizen councils, women's and other community organizations, as well as individuals.

Most of these organizations are associated in the Consumer Federation of America, 1012 14th Street, N.W., Washington, D.C. 20005. The federation can supply names of state and local associations. You also can get a handbook, *Forming Consumer Organizations*, from the President's Assistant for Consumer Affairs (address given earlier in this section, on page 16). This handbook also lists existing organizations.

Other national consumer organizations include:

— American Council on Consumer Interests, 15 Gwynn Hall, University of Missouri, Columbia, Missouri 65201 (chiefly a professional organization of consumer education teachers and workers; publishes *Newsletter* and *Journal of Consumer Affairs*; sponsors conferences).

— National Consumers League, 1029 Vermont Avenue, N.W., Washington, D.C. 20005 (active in representing consumer legislative interests).

— Consumers Union of U.S., Inc., 256 Washington Street, Mt. Vernon, New York 10550 (tests consumer goods, publishes *Consumer Reports*).

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- 137. Know Your Heart
- 136C A New Chapter in Family Planning
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## CONSUMER'S RIGHTS AND RESPONSIBILITIES\*



\*Suggested Guidelines For Consumer Education Grades K-12. The President's Committee on Consumer Interests. November 1970. pp. 32-33.



President Nixon in his Consumer Message to the Congress on October 30, 1969, outlined basic consumers' rights:

"I believe that the buyer in America today has the right to make an intelligent choice among products and services."

"The buyer has the right to accurate information on which to make his free choice."

"The buyer has the right to expect that his health and safety is taken into account by those who seek his patronage."

"The buyer has the right to register his dissatisfaction, and have his complaint heard and weighed, when his interests are badly served."

What the consumer seeks as his rights in the marketplace actually serves to strengthen the free enterprise system. Because it assures him of competitive prices and a wider choice of kind and quality of merchandise, he seeks competition among producers. He seeks to abolish those practices that work to his disadvantage as a consumer, and which would weaken and destroy a free enterprise system—monopoly, fixed prices, unfair competition, unfair, and deceptive practices. Eliminating marketplace malfunctions serves both consumers and producers by insuring a sound economy.

The consumer should understand his role in the economy and exercise his right to dissent when the marketplace serves him badly, but support it when it serves him well. The aim is a just marketplace which is fair both to the buyer and seller. It is manifest beyond peradventure that unfair, deceptive, or shoddy business practices are perhaps the worst enemies of the honest businessman and the free enterprise economy.

#### CONSUMER RIGHTS:



Right to make an intelligent choice among products and services

Open competitive market

Laws affecting monopolies, oligopolies, price fixing, and unfair and deceptive practices.

Right to accurate information

Full disclosures; labeling

Advertising and promotions

Public and private aids

Government agencies enforcing and regulating

Right to safety



Local and State responsibility  
Federal responsibility  
Standards, and laws governing  
Producers' and merchants' responsibilities

**Right to register complaints**

Business-complaint departments  
Local and State complain bureaus  
Federal agencies  
Arbitration boards  
Courts

**Right to redress grievances (see sources of redress in chapter V)**

Voluntary action  
Courts  
Small claims courts  
Individual and class actions

**Right to fairness in the marketplace**

Elimination of fraud, deception, and unfair business practices such as: fraudulent advertising, unnecessary repairs, selling used goods as new  
Making adjustments to secure full disclosure in advertising, on products and labels, in warranties, in contracts, and in selling practices  
Laws to insure fairness

**CONSUMER RESPONSIBILITIES:**



Understand his role as a consumer in our society and take an active part.

Consumer decision-making process

- Obtaining consumer information
- Private and public information sources

Accept consequences of consumer decisions

Voicing consumer complaints and satisfactions

- Procedure for voicing complaints

  - In the marketplace
  - In the local and State level
  - At the Federal level

- Documentation of complaint

  - Written
  - Verbal

Participate in activities of voluntary consumer organizations

- History of consumer movement
- Organizations (local, national, international)

Fairness in the marketplace

Moral behavior as a customer, care in handling products, reporting cases of "shop-lifting," abuse of credit, exchange and refund privileges.

As customers, take a vigorous part in insuring that business is fair in its dealings.



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## Interviewing Consumers About Problems

A person with a problem -- especially a money problem -- doesn't find it easy to ask for help. If he comes to you, he has decided at least to talk about his problem. Whether he will do something depends in part on your ability as an interviewer.

If he phones ahead for an appointment, set aside time for him; you both can plan for the interview. If he just comes in, you still owe him your attention and help -- free from distractions if at all possible. Any interruption tells him his problems aren't important to you. So ask someone to take your phone calls if you can.

Some people don't want to talk with you in their own home: others may overhear. They want to come to your office. Close the door and see that your client is comfortable. A little small talk often helps. If he's angry, try to remain calm -- and calm him. If this doesn't work, schedule another interview.

You ask questions to find out the real problem. This may take some time. Many worried persons talk around their problem. Or they omit important facts. Or they fix up their story so it sounds good. They may go to great lengths to save face. If the interview has to end in half an hour, you may not hear the real problem before the time is up!

Problems differ with people. You can put individuals into 3 general groups, on the basis of action needed. (Of course no one fits any one group exactly).

1. Some may fight society all the time. They want what they want when they want it. They want that new car right now. They can't plan their purchases and check their impulse buying. Their problems often need quick, definite remedial action.

2. Others feel rejected and left out of life. They may seek strength from the interviewer and what he suggests. They may buy more than they can pay for, just so they feel more "important." As the interviewer, you can help them stay out of trouble.

3. Some can define their own problems. They seek an interview to get information to use. You can help them plan a budget, or buy or borrow.

An interview has 3 general parts: (1) opening, (2) defining the problem, (3) relating the problem to information.

"Interview" means an exchange of views: He talks -- and you listen. Perhaps you make a few notes of main points. You ask a question to clear up a point or get him to talk to the main point.

Your advice may be asked. You may need to evaluate the client's problem. You'll need to know your own prejudices so you won't let them influence your judgment. (When asked why people stayed in a public shelter: The prohibitionists said 62% were there because of liquor, 7% because of business conditions. The socialist said that only 22% were there because of liquor, 39% because of business conditions).

Here are a few blocks to communication:

1. The client's low reading level. You may both use the same words, with different meanings. Questioning can help you with this word problem.

2. The client may resist you as an outsider. He may not want to tell you about his family and financial problems.

3. Economic, social, age, racial, education and other differences between you and your client. Your job, as interviewer, is to overcome these barriers and set the tone of the interview.

4. Client's unstated fears. Your sympathy and questioning help him uncover his fears. You may need this to understand his problem.

5. Using written questions or a "form" for your interview. Canned questions bring out canned answers.

6. Filling his pauses with your questions. Give him time to think about your question and his reply. Don't think of yourself and your problems while he's speaking.

7. Your reactions to his statements can block communication. If you shake your head or say, "That wasn't very bright, was it?", he will react to your disapproval. He may say only what you want to hear. This wastes your time and his -- and conceals the problem. Try to have a warm and accepting manner, encouraging him to speak.

Evaluate what he says, -- and how he says it. Watch these actions by your client:

1. Giving too pat a reply or being too eager.
2. Lying or holding back information. (Vagueness or gaps in a client's story, a watered-down version, or conflicting information.)
3. Repeating certain thoughts as a "defense."
4. Constant shifting of the subject, short attention span. Perhaps probing is needed.



5. Tension and anxiety (flushed face, erratic body movements, wandering eyes, perspiration, rapid breathing, voice pitch).

A clear brief summary of the interview, with a plan of action, can help you end the session. But be alert for last-minute revelations. Avoid telling the client what to do; help him meet his problems himself. After the session, note the main points, action agreed on, points for next interview, any evaluations.

Most people come to you because they've mismanaged money. If someone lives beyond his means look for status-seeking. Or maybe he just can't budget and spend wisely. Or maybe there's a deep marital conflict. Your job is to find why money is a problem if you want to help him.

If your client faces eviction because he hasn't paid his rent you need to act fast. You may have to help him keep a roof over his head before you can learn what goes on inside his head!

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CONSUMER COUNSELING SERIES: # 4

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# NEWS



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## CONSUMERISM--PROBLEM OR OPPORTUNITY?

By

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and  
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Address Before the Annual Convention of the  
Indiana Canners Association, Inc.  
French Lick-Sheraton Hotel, French Lick, Indiana  
November 16, 1967

I am honored to have the opportunity to participate in this annual meeting of the Indiana Canners Association, as the strength and vitality of the canning industry in this State is well known among canners throughout the country.

Consumerism is a new word in our language. You will not find it in even the latest editions of the unabridged dictionary.

Yet consumerism is a topic being discussed in many places at this very moment. It will, in fact, be discussed and defined by observers of the national scene for many years to come. And, in all probability, few will agree as to precisely what it is - the extent of its influence - and its long range implications.

The tendency - of many of us - up to now - has been to view consumerism with alarm. Some have defined it as - "an unnecessarily large manifestation of unwarranted resentment." And I am sure that when the consumer boycotts were at their height in 1966 there were some food industry executives who gave more than a passing thought to early retirement.

Others have taken the other side and said, "Not so" - and that much of the consumer resentment was justified - if only because it was a reflection of consumer dissatisfaction with the economic information and product information they had received in the past.

Still others have tended to view consumerism as an emotional reaction resulting from both frustration and fear ... frustration over something not within their control, namely inflation -- and fear of being economically victimized or of being caught making an unwise purchase.

Whatever your definition of consumerism yesterday, you will probably have to change it tomorrow. For consumerism is constantly changing in both scope and intensity.

More important, it shows every sign of being with us for years to come - not merely as a movement, but as a permanent part of the new establishment.

There will undoubtedly be a consumerism crisis from time to time in the future - when something serves as an emotional rally point - such as a muck-raking book - an unfortunate accident - or the collapse of a business with related loss of jobs and investments.

But for the most part, the consumerism of the future will probably be a broad and continuing consumer concern with the multitude of goods and services we all enjoy - medical care, housing, appliances and appliance repairs, fabrics, food, financial credit, and education - anything having to do with the pocketbook, health, or well-being of the individual.

In the past those in the forefront of the consumer movement came mostly from the ranks of the professionals, such as economists and home economists. Today's organized consumer nucleus appears in the main to be attracting more average, educated, middle-class individuals - interested, thoughtful volunteers.

Finally, consumers have more means than ever of being publicly heard. This, of course, is true by virtue of the organized voice, but even the individual is afforded the means of recognition. And they are utilizing their opportunities to be heard - in the White House, Congress, State Capitols, and even in city halls.

But, is this bad? Is it just possible that we have not yet realized the opportunity this affords us?

After all, we in the food industry have tried for years to get the attention of large numbers of consumers - and now we have it.

Now, more than ever before in our history, we have many people willing - perhaps even eager - to listen to facts and figures concerning the distribution of the consumer's food dollar - the nutritive benefits, convenience and safety of our products -- and the economic value they represent.

I'm sure you've all heard a variation of the old story about the politician running for office, who before he began any speech would step off the platform and go up to someone in the audience - anyone, no matter who - and punch him in the nose. Then he'd go back and make the speech.

After he had followed this procedure several times someone said to him, "Clem, you can't do that - you'll never get elected if you go around punching people in the nose - you've got to talk to them, plead with them - urge them to vote for you."

and Clem replied,

"Yes, I know, but first I've got to get their attention."

Well, today we have the attention of the consumer as never before - and this could have great value for us.

The most recent event which confirms long-term consumer movement activity, if not unity, was the formation of the Consumers Federation of America in Washington, D. C., two weeks ago (November 2-3) at Consumer Assembly '67.

It remains to be seen how effective and cohesive this organization will be - but on its formation a dozen active consumer groups pledged support, financial and otherwise. It is possible more consumer organizations from state and city levels will participate.

The four major goals of the Federation are noteworthy -- they could very well serve as the model for all local groups:

1. To "promote the rights" of all consumers through local, county, regional, state and national groups.
2. To stimulate and coordinate consumer programs and activities in such areas as product pricing, quality, servicing and guarantees, regulatory agencies, credit and insurance, home improvements, food, drug and medical costs and safety.
3. To act as a clearing house for consumer information at all levels.
4. To engage in fact-finding and analysis of consumer issues, to publish results of such studies and to provide increased consumer information.

At the same time there has been an increasing amount of consumer activity on the government front.

This includes increased consumer representation at the executive level of a number of state governments. In addition, at least twenty-three states have some form of consumer protection agency. Although the exact organization and functions assigned vary, they are generally empowered to protect the consumer through mediation, education, legislation, and litigation.

Although few states have actually done so, there is also a movement toward instituting consumer education courses in the public schools.

On the federal level, consumer interests are, of course, represented by the Special Assistant to the President for Consumer Affairs - Betty Furness - who also serves as Executive Secretary to the Administration's 12-member Consumer Advisory Council - (unfortunately, not one industry executive was named to this body).

Through this consumer office, the Administration has promoted four basic consumer rights with which the food industry fully agrees and actively supports. They are the consumer rights:

- to safety
- to choose
- to be informed
- to be heard

There has also been discussion of the possibility of establishing a department of consumer affairs at the National Cabinet level. Whether this will be done remains to be seen, but the fact that it has been proposed in legislation is a clear indication of how strong "consumerism" has become.

Ideally, this new "consumerism" could well evolve into a long and workable partnership between consumers, government, and industry.

Whether this can be accomplished will depend upon how effectively we take advantage of the new channels of communication that have now been opened to us.



During the initial consumer boycotts of 1966 -- when the food industry was subjected to a vocal and often -times emotional onslaught of criticism, the industry had to react quickly as best it could. This was done for the most part by falling back on the statistical achievements of the industry and by reasserting the traditional advantages of our nation's competitive system.

When time afforded the opportunity for more mature reflection, it became apparent that these boycotts were the product of misinformation as much as anything. They put the food industry on notice that it had failed to make the public aware of the industry's basic accomplishments and to explain how well the consumer had in fact fared with food as compared to other goods and services.

Time has also afforded the opportunity to design and undertake more ambitious long-range programs of consumer education -- all of these designed to take advantage of the new opportunities we have.

These have been developed by various trade associations in the food and related industries. They are new, and separately organized, and there appears to be a minimum of overlap in implementation.

Here are some of the programs that are taking shape:

The National Association of Manufacturers has undertaken a revision of a consumer catalogue which provides techniques in product selection. The N. A. M. has a subcommittee on consumer information, and an advisory board with substantial food industry representation.

The U. S. Chamber of Commerce has appointed a Consumer Affairs Committee (on which NCA's Executive Vice President serves) to establish through panel discussions, etc., a consumer-industry dialogue at local level.

Grocery Manufacturers of America has created a department of consumer information which is charged with preparation and distribution of basic consumer information booklets and new materials for educators.

The advertising women of New York have launched an ambitious program for educators who teach marketing, home economics and consumer education in the Metropolitan area. Called Info '67, it has arranged a number of one-day meetings between educators and top management. The food industry is well represented in this program.



The National Association of Food Chains has undertaken a number of consumer programs in Metropolitan areas. They have consisted for three-hour meetings between a dozen randomly selected housewives and representatives of food distributors of various sizes and operating levels. The objectives of these meetings have been

- To demonstrate to the industry how to establish new direct communication with customers
- To demonstrate publicly the industry's eagerness to adapt where necessary to meet consumer needs, and
- To provide new merchandising ideas.

As a means of gaining insight into consumer opinions, these programs have been extremely successful. General consumer reaction is that more programs of this type should be undertaken.

The Super Market Institute is engaged in the promotion of a film, "Behind These Doors," produced by Reader's Digest in cooperation with S. M. I. This is another step in the right direction and could reach a vast number of consumers.

The film runs 26 minutes and shows the "exacting and often unbelievable steps taken to move food from the farm to the table at a reasonable price and in great variety." It presents the background of what happens every day in the food industry to bring a variety of products to stores. It is a valuable tool for opening a discussion with consumer groups.

The National Association of Retail Grocers of the United States has announced a food education program designed to reach the consumer during shopping hours at neighborhood Super Markets. The program consists of four themes which in essence - tell the consumer what her food dollar buys - explain pricing - explain why variety saves time and money - and explain how much convenience foods are worth in relative cost terms. N. A. R. G. U. S. retailers are being furnished promotional aids and information aids to tie in with these themes.

The National Canners Association, of course, has its own consumer program - known as IMPACT - for INDUSTRY MOBILIZATION FOR POSITIVE ACTION ON CONSUMER TOPICS.

While it is presently limited geographically, I don't believe we are exaggerating if we say it is the most comprehensive of all industry programs. The program was undertaken on a pilot basis in Western New York State.

IMPACT's objective is to organize local canners to develop ways to tell the industry's story to the various segments of the community. In essence it is a mobilized grassroots effort in which food industry representatives, canners in particular, are engaging in two-way communication with consumers on a continuing and personalized basis.

The program began officially on May 25 in Rochester, New York, with a "Salute to Consumers" function to which consumers in the area were invited through newspaper releases and through local clubs, professional groups, and educators.

All means of communication are employed -- films, slide presentations, club programs, press releases, television shows, exhibits, printed matter, etc. To assure the widest possible coverage, responsibilities are systematically divided between six volunteer committees. Their titles indicate the breadth of the coverage -- Industry Relations -- Speech and Special Events -- Education -- Distributor Relations -- Public Affairs -- and Evaluation.

With guidance and support from NCA's Public Relations Counsel and in-house staff, the committee efforts are coordinated through periodic meetings of a steering committee whose members are drawn from the six working committees.

The goal of the program was to involve as large a number of industry representatives as possible. This has been accomplished to date and will continue to be the goal.

Through IMPACT, the Empire State industry has put together a strong nucleus of knowledgeable and experienced committeemen. They are organized to present the story of food, from seed to table, in a manner which can prevent consumer misunderstandings and misconceptions.

To recognize the cooperative action which IMPACT has stimulated, one has but to glance at the program of events scheduled for the Syracuse Consumer Fair -- which will be the next IMPACT sponsored event, taking place tomorrow (November 17).

The program will be informative and entertaining. Its blend takes away any possible "hard-sell" aspects. Advance consumer reaction has been extremely encouraging. Ticket distribution had to be curtailed two weeks ago. More than 700 consumers are expected to attend. Playback from Syracuse is that there is an attitude of interest and acceptance of Consumer Fair, and what is being offered.

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It is highly improbable that such a mutually constructive and informative event would be taking place without industry stimulation. The meeting will provide an invaluable avenue of communication between food industry representatives and consumers.

IMPACT is just a beginning of what must evolve into an ongoing system of canner-consumer understanding.

This comment applies not only to IMPACT but to all of the other programs and activities that have been undertaken on the consumer front. If industry keeps these programs going -- and implements them with other programs -- it may be able to realize significant benefits by taking advantage of the new channels of communication "consumerism" has opened.

This job, obviously, cannot be left to our State, Regional and National Associations alone. These associations will exert all of the effort they can in this field -- but there is no substitute for personal and direct contact between the individual canner and consumer or government representatives -- and this is the responsibility of each and every canner.

The IMPACT Program is outstanding in this respect. Although the idea took shape and was developed as an Association activity, it is in fact the individual efforts of many cannery which make it effective.

"CONSUMERISM" thus may be our golden opportunity -- something that gives each of us the unprecedented and valuable attention of the consumer.

Let's hope we have enough talent, ability, and drive to make the most of it. Then we will not have concern if the LAST HURRAH is far out of sight.

Thank you.

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## THE CONSUMERS' RIGHTS AND RESPONSIBILITIES:\*

President Nixon in his Consumer Message to the Congress on October 30, 1969, outlined basic consumers' rights:

"I believe that the buyer in America today has the right to make an intelligent choice among products and services."

"The buyer has the right to accurate information on which to make his free choice."

"The buyer has the right to expect that his health and safety is taken into account by those who seek his patronage."

"The buyer has the right to register his dissatisfaction, and have his complaint heard and weighed, when his interests are badly served."

What the consumer seeks as his rights in the marketplace actually serves to strengthen the free enterprise system. Because it assures him of competitive prices and a wider choice of kind and quality of merchandise, he seeks competition among producers. He seeks to abolish those practices that work to his disadvantage as a consumer, and which would weaken and destroy a free enterprise system--monopoly, fixed prices, unfair competition, unfair, and deceptive practices. Eliminating marketplace malfunctions serves both consumers and producers by insuring a sound economy.

The consumer should understand his role in the economy and exercise his right to dissent when the marketplace serves him badly, but support it when it serves him well. The aim is a just marketplace which is fair both to the buyer and seller. It is manifest beyond peradventure that unfair deceptive, or shoddy business practices are perhaps the worst enemies of the honest businessman and the free enterprise economy.

### CONSUMER RIGHTS:

Right to make an intelligent choice among products and services  
Open competitive market  
Laws affecting monopolies, oligopolies, price fixing,  
and unfair and deceptive practices

\*Suggested Guidelines For Consumer Education Grades K-12. The President's Committee on Consumer Interests. November 1970. pp. 32-33.

Right to accurate information

- Full disclosures; labeling
- Advertising and promotions
- Public and private aids
- Government agencies enforcing and regulating

Right to safety

- Local and State responsibility
- Federal responsibility
- Standards, and laws governing
- Producers' and merchants' responsibilities

Right to register complaints

- Business-complaint departments
- Local and State complain bureaus
- Federal agencies
- Arbitration boards
- Courts

Right to redress grievances (see sources of redress in chapter V)

- Voluntary action
- Courts
  - Small claims courts
  - Individual and class actions

Right to fairness in the marketplace

- Elimination of fraud, deception, and unfair business practices such as: fraudulent advertising, unnecessary repairs, selling used goods as new
- Making adjustments to secure full disclosure in advertising, on products and labels, in warranties, in contracts, and in selling practices
- Laws to insure fairness

CONSUMER RESPONSIBILITIES:

Understand his role as a consumer in our society and take an active part.

Consumer decision-making process

- Obtaining consumer information
- Private and public information sources

Accept consequences of consumer decisions

Voicing consumer complaints and staisfactions

Procedure for voicing complaints

In the marketplace

In the local and State level

At the Federal level

Documentation of complaint

Written

Verbal

Participate in activities of voluntary consumer organizations

History of consumer movement

Organizations (local, national, inter-national)

Fairness in the marketplace

Moral behavior as a customer, care in handling products, reporting cases of "shop-lifting," abuse of credit, exchange and refund privileges

As customers, take a vigorous part in insuring that business is fair in its dealings





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